

Strong Business Performance; ARPU Continues to Gain

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBIT margin – **INLINE**; PAT – **INLINE**

Recommendation Rationale

- **Steady QoQ Growth in Mobile Services Driven by Premiumization:** The mobile services business continues to record a growth of 2.9% QoQ, led by a focus on portfolio premiumization and an additional day in the quarter.
- **Strong 5G Adoption with Growing Smartphone Customer Base:** Bharti Airtel has 152 Mn 5G customers. 5G shipments now account for 86% of total smartphone shipments at the industry level, and its 5G sites handle 36% of total network traffic. Smartphone data customer base stood at 280.7 Mn, increased by 3.9 Mn QoQ and 21.3 Mn YoY.
- **ARPU Leadership with Growth Focus:** The company's ARPU continues to be the best in the industry. It intends to improve ARPU by focusing on higher post-paid customers, international roaming, and upgradation to smartphones from feature phones.
- **Non-Wireless Focus Driving High-Margin Growth:** Bharti Airtel is focusing on non-wireless business by investing in B2B, data centres, and home broadband, generating higher margins with a moderate capex.

Sector Outlook: **Positive**

Company Outlook & Guidance: The company has a strong focus on quality customers with increasing ARPU and revenue. The management is confident of gaining industry-leading growth backed by robust rural penetration and a superior services portfolio.

Current Valuation: **SOTP-based**

Current TP: **Rs 2,300/share**

Recommendation: From a long-term perspective, we believe Bharti Airtel would continue to gain market share, backed by the highest penetrations, and with minimum Capex requirements. Therefore, with a stronger digital portfolio supported by rising per-user data and growing business verticals, we are positive about the company's future growth. **We maintain our BUY recommendation on the stock.**

Financial performance

In Q1FY26, the company reported revenue of Rs 49,463 Cr vs Rs 38,506 Cr (Q1FY25), up 28.5% YoY, 3.3 % QoQ. EBIT stood at Rs 15,374 Cr vs Rs 9,168 Cr (Q1FY25), up 67.7% YoY and 4.7% QoQ. EBIT margins stood at 31.1% vs 23.8% up 727 bps YoY and 28 bps QoQ. It reported Net Income of Rs 7,422 Cr vs. Rs 4,718 Cr, up 57% YoY and 40% QoQ, due to tax reversal benefits in the last quarter. ARPU (Mobile Service) for the quarter stood at Rs 250 (+18.5% YoY; 2% QoQ). Capex for the quarter stood at Rs 8,307 Cr.

Key Financials (Consolidated)

| (Rs Cr) | Q1FY26 | QoQ (%) | YoY (%) | Axis Est. | Variance |
|-------------|--------|---------|---------|-----------|----------|
| Net Sales | 49,463 | 3.3 | 28.5 | 49,408 | 0.1 |
| EBIT | 15,374 | 4.7 | 67.7 | 15,393 | (0.1) |
| EBIT Margin | 31.1 | 41bps | 727bps | 31.2 | (0.2) |
| Net Profit | 7,422 | (40.5) | 57.3 | 7,385 | 0.5 |
| EPS (Rs) | 12.2 | (39.8) | 36.1 | 12.1 | 0.5 |

Source: Company, Axis Research

(CMP as of 6th August, 2025)

| | |
|---------------------------|-------------|
| CMP (Rs) | 1,924 |
| Upside /Downside (%) | 20% |
| High/Low (Rs) | 2,046/1,422 |
| Market cap (Cr) | 11,57,382 |
| Avg. daily vol. (6m)Shrs. | 76,85,610 |
| No. of shares (Cr) | 609 |

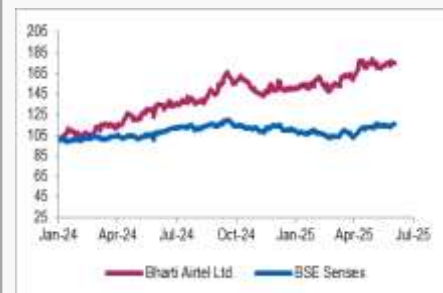
Shareholding (%)

| | Dec-24 | Mar-25 | Jun-25 |
|-----------|--------|--------|--------|
| Promoter | 53.1 | 52.4 | 51.3 |
| FII's | 24.3 | 25.4 | 26.7 |
| MFs/UTI | 11.4 | 11.0 | 11.1 |
| Banks/FIs | 0.1 | 0.1 | 0 |
| Others | 11.2 | 11.1 | 10.9 |

Financial & Valuations

| Y/E Mar (Rs Cr) | FY25 | FY26E | FY27E |
|-----------------|----------|----------|----------|
| Net Sales | 1,72,985 | 2,13,190 | 2,48,303 |
| EBIT | 93,159 | 1,20,508 | 1,42,394 |
| Net Profit | 30,195 | 36,542 | 48,619 |
| EPS (Rs) | 49.5 | 60.0 | 79.8 |
| PER (x) | 31.4 | 32.2 | 24.2 |
| P/BV (x) | 10.3 | 8.6 | 6.9 |
| EV/EBITDA (x) | 13.6 | 10.1 | 8.2 |
| ROE (%) | 38% | 29% | 32% |

Relative Performance



Source: AceEquity, Axis Securities

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Outlook

From a long-term perspective, Bharti Airtel remains well-positioned for sustainable growth, backed by its strong digital services portfolio, disciplined capital management, and focus on high-value customer segments. The company expects gradual ARPU improvement, 4G/5G expansion, and B2B growth to drive long-term profitability. We remain optimistic about the company's future growth.

Valuation & Recommendation

The company anticipates steady revenue growth across its core segments, supported by rising 4G and 5G adoption, broadband penetration, and increased demand for enterprise solutions. EBITDA margins are expected to remain robust, aided by operational efficiencies, network optimisation, and monetisation of digital services. The Management continues to prioritise financial discipline, targeting sustained free cash flow generation and progressive debt reduction. Hence, we maintain our **BUY recommendation on the stock**. Based on the SOTP valuation, we arrive at a TP of Rs 2,300/share, implying an upside of 20% from the CMP.

SOTP Valuation

| Segments | FY27E EBITDA (Rs Bn) | Multiple (X) | Enterprise Value (Rs Bn) | Value Per Share (Rs) |
|---------------------------------|-------------------------|--------------|-----------------------------|-------------------------|
| Mobile Services/ India wireless | 894 | 10 | 8,672 | 1,423 |
| Home service | 48 | 8 | 376 | 62 |
| DTV | 17 | 7 | 118 | 19 |
| Africa | 284 | 6 | 1,751 | 287 |
| Enterprise | 98 | 7 | 674 | 111 |
| Passive infra | 393 | 7 | 2,751 | 451 |
| Intersegment | -90 | | | |
| Sub-total | 1,424 | 10 | 14,341 | 2,353 |
| | | | | |
| Enterprise Value | | | 14,341 | 2,353 |
| (-) Net Debt | | | 320 | 53 |
| Target Price (Rs) | | | 14,021 | 2,300 |

Key highlights

- **Postpaid Growth and Network Expansion Boost Data Usage:** During the quarter, in the postpaid segment, Bharti Airtel continued to maintain net additions of 0.7 Mn customers in Q1FY26, bringing its total customer base to 26.6 Mn. Also, the company expanded its nationwide network by installing ~1.8K additional towers and ~7.5K mobile broadband stations to enhance customer experience. Smartphone data customer base stood at 280.7 Mn, increased by 3.9 Mn QoQ and 21.3 Mn YoY. Average mobile data usage per customer increased by 13.4% YoY to 26.9 GB/month as compared to 23.7 GB/month in Q1FY25.
- **India Mobile Services Lead Growth; Airtel Business Sees Strategic Decline:** On the segmental front, India's mobile services reported a 21.6% YoY revenue growth driven by ARPU improvement and continued strong additions of smartphone customers. Airtel Business saw a revenue decline of 7.7% YoY due to portfolio transformation, aligning with the strategic objective to discontinue low-margin business; however, the underlying revenue performance remains steady.
- **Robust Home Business Growth; IPTV Uptick Cushions Digital TV Decline:** Home business growth trajectory further improved with a 25.7% YoY increase in revenue. Net customer additions were at an all-time high of 939K in Q1FY26, led by continued momentum in both FTTH and FWA segments. Digital TV revenue fell by 1.8% YoY, as the company lost 2 Lc customers due to the elimination of set-top box subsidies. However, this decline was partially offset by a step-up in IPTV net additions. Passive Infrastructure Services recorded a revenue increase of 4.3% QoQ, driven by ~2.5K site additions in Q1FY26.
- **Airtel Unveils Prepaid Packs with 25+ OTTs:** Bharti Airtel launched new entertainment packs for its prepaid customers, offering access to over 25 leading OTT platforms, including Netflix, Zee5, Sony Liv, and many more.
- **Airtel Partners with Google for Cloud; Expands Software Globally:** Airtel launched Airtel Cloud for customers in partnership with Google to offer Airtel's postpaid and Wi-Fi customers 100 GB of Google One cloud storage free for six months. The company also extended its software platforms globally to telcos like Singtel and Globe Telecom.
- **Enterprise Focus on IoT and AI Amid Slower Connectivity Growth:** In the Enterprise business, the company has five broad segments: Connectivity, IoT, Cloud, Cybersecurity and CPaaS. The underlying growth in connectivity has slowed down to 4%-5%. However, IoT is a fast-growing segment, where Airtel has a market share of almost 60%. Additionally, the company is actively integrating AI across its digital platforms.
- **Capex to Shift from 5G to Fiber, Enterprise, and Home Broadband:** On the capex front, the company's wireless business will moderate, since the bulk of the 5G rollout is now completed. Future, capex will be inclined towards transport infrastructure, fibre, enterprise/data centre investments, and scaling of home broadband services.
- **ARPU Boost via Postpaid & Upgrades:** The company intends to improve ARPU by focusing on higher postpaid customers, international roaming, and upgradation to smartphones from feature phones.
- **Company Seeks AGR Relief but Will Comply with Government:** For AGR payments, the company has written to the government for some relief. However, it will abide by the government's decision.
- **Bharti Airtel to Boost Dividends and B2B Investment with Higher Cash Flows:** Looking ahead, Bharti Airtel expects higher cash flows led by the deleveraging of the balance sheet and the moderate capex. Through these cashflows, the company intends to increase its dividends and investment towards B2B areas, data centres and M&A opportunities in growth verticals.

Key Risks to our Estimates and TP

- The cut-throat competition may reduce the market share, leading to a reduction in the revenue growth momentum.

Results Review
(Rs Cr)

| Y/E March | Q1FY26 | Q4FY25 | QoQ (%) | Q1FY25 | YoY (%) |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net sales | 49,463 | 47,876 | 3.3 | 38,506 | 28.5 |
| Access charges | 1,257 | 1,478 | (15.0) | 1,908 | (34.1) |
| License fees | 3,720 | 3,637 | 2.3 | 3,156 | 17.9 |
| Network costs | 9,546 | 9,106 | 4.8 | 7761 | 23.0 |
| Employee costs | 1,738 | 1,831 | (5.1) | 1,373 | 26.6 |
| Sales & marketing | 2,966 | 2,936 | 1.0 | 2,716 | 9.2 |
| Other expenses | 2,397 | 1,880 | 27.5 | 1,885 | 27.2 |
| Total Opex | 21,624 | 20,867 | 3.6 | 18,799 | 15.0 |
| EBITDA | 27,839 | 27,009 | 3.1 | 19,708 | 41.3 |
| EBITDA margin | 56.3% | 56.4% | -13bps | 51.2% | 510bps |
| Depreciation | 12,465 | 12,326 | 1.1 | 10,540 | 18.3 |
| EBIT | 15,374 | 14,683 | 4.7 | 9,168 | 67.7 |
| Finance cost (net) | 5,461 | 5,502 | (0.8) | 5,152 | 6.0 |
| Other income | 509 | 486 | 4.7 | 364 | 40.0 |
| Share of JV | -83 | -58 | NA | -912 | NA |
| PBT | 10,504 | 9,584 | 9.6 | 6,025 | 74.3 |
| Tax expenses | 3,083 | -2,892 | NA | 1,308 | 135.7 |
| Reported PAT | 7,422 | 12,476 | (40.5) | 4,718 | 57.3 |
| Exceptional/Extraordinary items | 0 | 140 | NA | (735) | NA |
| Adjusted PAT | 7,422 | 12,336 | (39.8) | 5,453 | 36.1 |
| Adjusted EPS | 12.2 | 20.2 | (39.8) | 8.9 | 36.1 |

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 1,39,145 | 1,49,982 | 1,72,985 | 2,13,190 | 2,48,303 |
| Change (YoY, %) | 19.4 | 7.8 | 15.3 | 23.2 | 16.5 |
| Operating expenses | 67,871 | 71,691 | 79,826 | 92,682 | 1,05,909 |
| EBITDA | 71,274 | 78,292 | 93,159 | 1,20,508 | 1,42,394 |
| Change (YoY, %) | 23.8 | 9.8 | 18.99 | 29.3 | 18.1 |
| Margin (%) | 51.2 | 52.2 | 53.8 | 56.5 | 57.3 |
| Depreciation | 36,432 | 39,538 | 45,570 | 51,276 | 57,876 |
| Interest paid | 19,300 | 22,648 | 21,754 | 22,097 | 21,797 |
| Other income | 937 | 1,435 | 1,574 | 2,474 | 2,980 |
| PBT | 15,809 | 9,970 | 34,696 | 49,609 | 65,701 |
| Tax | 4,273 | 4,121 | 917 | 12,984 | 17,082 |
| Effective tax rate (%) | 27% | 41% | 3% | 26% | 26% |
| Share of JV/Associate | 752 | 2,709 | 3,703 | (83) | - |
| Exceptional items | (670) | (7,572) | 7,287 | - | - |
| Net profit | 12,287 | 8,558 | 37,481 | 36,542 | 48,619 |
| Adjusted net profit | 12,957 | 16,130 | 30,195 | 36,542 | 48,619 |
| Change (YoY, %) | 0 | 0 | 1 | 21 | 33 |
| Adj EPS | 22 | 27 | 50 | 60 | 80 |
| Dividend per share | 4 | 8 | 16 | 21 | 27 |
| Dividend Payout (%) | 19 | 57 | 26 | 26 | 26 |

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Share capital | 2,837 | 2,877 | 2,900 | 2,900 | 2,900 |
| Reserves & surplus | 74,726 | 79,142 | 1,10,772 | 1,34,638 | 1,66,777 |
| Shareholders funds | 77,563 | 82,019 | 1,13,672 | 1,37,538 | 1,69,677 |
| Total Debt | 1,56,910 | 1,38,747 | 1,48,312 | 1,46,312 | 1,44,312 |
| Other liabilities | 47,705 | 50,094 | 75,589 | 75,589 | 75,589 |
| Current Liabilities & provisions | 1,21,964 | 1,38,668 | 1,80,440 | 2,04,518 | 2,24,888 |
| Current liabilities | 89,096 | 99,252 | 1,00,837 | 1,16,210 | 1,29,865 |
| Provisions | 27,526 | 31,631 | 36,155 | 44,415 | 51,730 |
| Total liabilities | 3,21,237 | 3,19,724 | 3,60,893 | 3,82,525 | 4,01,495 |
| Total equity & liabilities | 4,27,681 | 4,25,288 | 5,14,360 | 5,61,849 | 6,15,048 |
| Net fixed assets | 2,77,394 | 3,03,303 | 1,43,272 | 1,36,996 | 1,39,120 |
| Investments | 28,249 | 31,333 | 544 | 544 | 544 |
| Other non-current assets | 64,537 | 32,376 | 3,02,956 | 3,02,956 | 3,02,956 |
| Current assets | 57,501 | 58,276 | 67,589 | 1,21,353 | 1,72,428 |
| Inventories | 258 | 364 | 452 | 0 | 0 |
| Sundry Debtors | 3,982 | 4,728 | 7,456 | 9,475 | 11,036 |
| Cash & Liquid | 13,419 | 16,340 | 16,720 | 65,693 | 1,12,281 |
| Other Current Assets | 39,844 | 36,845 | 16,195 | 19,419 | 22,345 |
| Total assets | 4,27,681 | 4,25,288 | 5,14,360 | 5,61,849 | 6,15,048 |

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------------------|-------------------|-----------------|-------------------|-----------------|-----------------|
| Pre tax | 16,561 | 12,679 | 38,399 | 49,526 | 65,701 |
| Depreciation | 36,432 | 39,538 | 45,570 | 51,276 | 57,876 |
| Change in working capital | 2,389 | 18,851 | 32,840 | 19,286 | 15,884 |
| Other operating activities | 19,033 | 28,785 | 12,893 | 19,623 | 18,817 |
| Cash flow from operations (a) | 70,141 | 95,731 | 1,28,785 | 1,26,728 | 1,41,195 |
| Capital expenditure | (65,124) | (48,971) | 1,14,460 | (45,000) | (60,000) |
| Chg in investments | (1,696) | (3,444) | 3,142 | - | - |
| Other investing activities | (42,534) | 33,957 | (2,41,359) | 2,474 | 2,980 |
| Cash flow from investing (b) | (1,09,354) | (18,458) | (1,23,756) | (42,526) | (57,020) |
| Equity raised/(repaid) | 42 | 40 | 24 | - | - |
| Debt raised/(repaid) | 61,503 | (18,217) | (604) | (2,445) | (1,400) |
| Dividend (incl. tax) | (2,387) | (4,838) | (9,751) | (10,726) | (11,262) |
| Chg in minorities | 3,501 | (5,336) | 16,251 | 1,990 | 2,089 |
| Other financing activities | (23,522) | (46,001) | (10,568) | (24,047) | (27,014) |
| Cash flow from financing (c) | 39,137 | (74,352) | (4,649) | (35,229) | (37,587) |
| Net change in cash (a+b+c) | (76) | 2,921 | 380 | 48,973 | 46,588 |
| Opening cash balance | 13,494 | 13,419 | 16,340 | 16,720 | 65,693 |
| Closing cash balance | 13,419 | 16,340 | 16,720 | 65,693 | 1,12,281 |

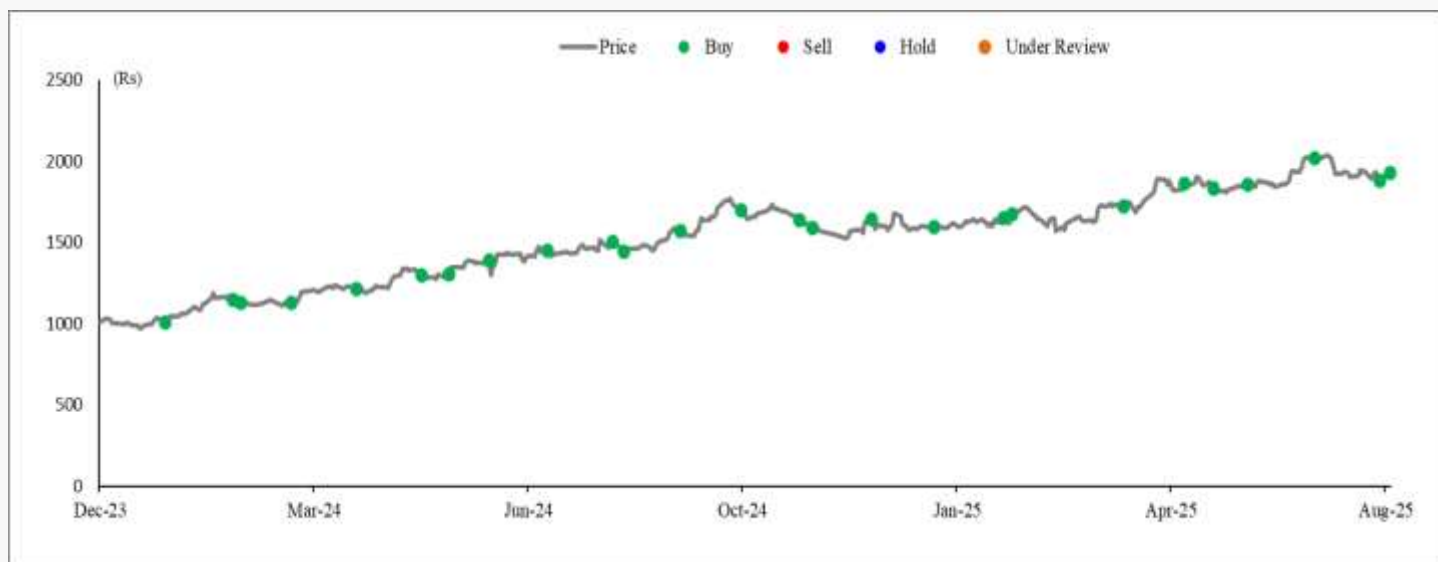
Source: Company, Axis Securities

Ratio Analysis
(%)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|--|------|-------|------|-------|-------|
| Book Value (Rs) | 130 | 136 | 187 | 226 | 278 |
| Adj EPS (Rs) | 22 | 27 | 50 | 60 | 80 |
| Adj EPS growth (%) | 135 | 23 | 86 | 21 | 33 |
| EBITDA margin (%) | 51 | 52 | 54 | 57 | 57 |
| Pre-tax margin (%) | 11 | 7 | 20 | 23 | 26 |
| Debt/Equity (x) | 2.0 | 1.6 | 0.9 | 0.7 | 0.6 |
| ROCE (%) | 10 | 6 | 18 | 15 | 17 |
| ROE (%) | 17 | 11 | 38 | 29 | 32 |
| Financial leverage ratios | | | | | |
| Debt / Equity (x) | 2.0 | 1.6 | 0.9 | 0.7 | 0.6 |
| Interest Coverage (x) | 3.7 | 3.5 | 4.3 | 5.5 | 6.5 |
| Interest / Debt (%) | 15 | 16 | 18 | 21 | 21 |
| Working Capital & Liquidity Ratio | | | | | |
| Inventory days | 0 | 0 | 0 | 0 | 0 |
| Receivable days | 10 | 11 | 16 | 16 | 16 |
| Payable days | 85 | 84 | 79 | 80 | 80 |
| Valuation ratio | | | | | |
| PER (x) | 93.7 | 136.4 | 31.4 | 32.2 | 24.2 |
| Adjusted PER (x) | 88.9 | 72.4 | 39.0 | 32.2 | 24.2 |
| P/BV (x) | 14.8 | 14.2 | 10.3 | 8.6 | 6.9 |
| EV/EBITDA (x) | 18.1 | 16.4 | 13.6 | 10.1 | 8.2 |
| Market Cap. / Sales (x) | 8.3 | 7.8 | 6.8 | 5.5 | 4.7 |

Source: Company, Axis Securities

Bharti Airtel Ltd Price Chart and Recommendation History



| Date | Reco | TP | Research |
|-----------|------|-------|---------------|
| 02-Nov-23 | BUY | 1,155 | Result Update |
| 01-Dec-23 | BUY | 1,155 | Top Picks |
| 01-Jan-24 | BUY | 1,155 | Top Picks |
| 02-Feb-24 | BUY | 1,400 | Top Picks |
| 07-Feb-24 | BUY | 1,400 | Result Update |
| 01-Mar-24 | BUY | 1,400 | Top Picks |
| 01-Apr-24 | BUY | 1,400 | Top Picks |
| 02-May-24 | BUY | 1,520 | Top Picks |
| 16-May-24 | BUY | 1,575 | Result Update |
| 03-Jun-24 | BUY | 1,520 | Top Picks |
| 01-Jul-24 | BUY | 1,650 | Top Picks |
| 01-Aug-24 | BUY | 1,650 | Top Picks |
| 07-Aug-24 | BUY | 1,660 | Result Update |
| 01-Oct-24 | BUY | 1,900 | Top Picks |
| 30-Oct-24 | BUY | 1,880 | Result Update |
| 04-Nov-24 | BUY | 1,880 | Top Picks |
| 02-Dec-24 | BUY | 1,880 | Top Picks |
| 01-Jan-25 | BUY | 1,880 | Top Picks |
| 03-Feb-25 | BUY | 1,880 | Top Picks |
| 10-Feb-25 | BUY | 1,900 | Result Update |
| 01-Mar-25 | BUY | 1,900 | Top Picks |
| 01-Apr-25 | BUY | 1,900 | Top Picks |
| 30-Apr-25 | BUY | 2,200 | Top Picks |
| 15-May-25 | BUY | 2,200 | Result Update |
| 07-Aug-25 | BUY | 2,300 | Result Update |

Source: Axis Securities Research

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|----------------|--|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

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