

Bharti Airtel

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	BHARTI IN
Equity Shares (m)	5702
M.Cap.(INRb)/(USD\$)	11576.4 / 131.9
52-Week Range (INR)	2046 / 1422
1, 6, 12 Rel. Per (%)	-1/15/31
12M Avg Val (INR M)	11432

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	2,044	2,301	2,590
EBITDA	1,162	1,317	1,495
Adj. PAT	275	389	515
EBITDA Margin (%)	56.8	57.2	57.7
Adj. EPS (INR)	47.4	63.9	84.4
EPS Gr. (%)	57	35	32
BV/Sh. (INR)	236	305	353

Ratios

Net D:E	1.4	0.6	0.2
RoE (%)	22.4	25.8	28.0
RoCE (%)	15.1	17.6	20.4
Div. Payout (%)	58.8	62.6	71.1

Valuations

EV/EBITDA (x)	11.0	9.7	8.2
P/E (x)	41	30	23
P/BV (x)	8.2	6.3	5.4
Div. Yield (%)	1.5	2.1	3.1

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.3	52.4	53.2
DII	19.2	19.3	19.3
FII	26.8	25.5	24.7
Others	2.7	2.8	2.9

FII Includes depository receipts

CMP: INR1,924 TP: INR2,285 (+19%) Buy

Healthy 1Q; FCF generation robust while net debt dips

- Bharti Airtel (Bharti) posted a healthy 1QFY26, led by better performance in Airtel Africa (AAF, 5% beat) and India wireless (3% QoQ revenue and EBITDA uptick aided by higher ARPU and better incremental margins).
- After a spike in 4QFY25, its consol. capex normalized in 1QFY26 to INR82b (-42% QoQ, -15% YoY). Management reiterated that FY26 India capex (ex-Indus) should further moderate from the FY25 levels (~INR300b).
- Bharti's consol. net debt excluding leases declined ~INR130b QoQ to INR1.26t, driven by robust FCF generation of INR143b (vs. ~INR97b QoQ).
- We continue to like Bharti's superior execution on the premiumization agenda. Further, with moderation in capex intensity and a potential tariff hike, Bharti is likely to generate significant FCF (~INR1t over FY26-27E).
- Bharti continues to outperform (up ~22% in CYTD vs. +4% for Nifty-50), and its valuations have re-rated (~12x FY27E EV/EBITDA for the India business). We believe regular tariff hikes (beyond FY27) remain key for further re-rating.
- We raise our FY26-28E EBITDA by ~1% each, driven by higher growth in AAF. We model a CAGR of 14%/17% in Bharti's consol. revenue/EBITDA over FY25-28E, driven by 1) benefits of the ~15% tariff hike in India wireless from Dec'25, 2) continued acceleration in Home broadband net adds, and 3) robust double-digit growth in Africa.
- We reiterate our BUY rating with SoTP-based revised TP of INR2,285. We value the India wireless and homes business on DCF (implies ~13.4x Sep'27E EV/EBITDA), DTH/Enterprise at 5x/10x Sep'27E EBITDA, and Bharti's stake in Indus Towers and Airtel Africa at a 25% discount to our TP/CMP.

Generated ~INR143b FCF, leading to ~INR130b reduction in net debt

- Bharti's consol. revenue grew 3% QoQ (+29% YoY) to INR495b, driven by robust growth in AAF (+6% QoQ) and the Homes business (+8% QoQ).
- Consol. EBITDA rose 3% QoQ to INR278b (up 21% YoY, 2% above), driven by robust performance in Homes and AAF (both up 8% QoQ).
- India wireless revenue and EBITDA grew 3% QoQ, driven by ~2% QoQ ARPU uptick to INR250 (our. est.: INR248) and 67% incremental margins.
- Homes continue to benefit from acceleration in subscriber additions (record high 0.94m net adds), but Enterprise (B2B) revenue and EBITDA declined 5% and 4% QoQ, respectively, due to retooling of the portfolio. EBITDA margin expanded by a further ~50bp QoQ to 42.6% due to improved product mix.
- Revenue and EBITDA growth accelerated in Africa, driven by the flow-through of tariff hikes in Nigeria and rising data consumption.
- After a spike in 4QFY25, consolidated capex normalized to INR83b, with India capex (ex-Indus) declining ~42% QoQ to INR73b (-15% YoY).
- Consol. net debt (ex-leases) dipped ~INR130b QoQ to INR1.26t, with the India net debt-to-EBITDAaL moderating to 1.35x (vs. 1.53x QoQ).
- Consol. FCF (after leases and interest payments) improved further to INR143b (vs. ~INR97b QoQ), driven by favorable movement in working capital (payable up ~INR44b QoQ).

Key highlights from the management commentary

- **Capex:** Bharti's 1Q capex was lower due to seasonality and timing differences and should not be extrapolated for FY26. However, management reiterated that FY26 India (ex-Indus) capex should be lower than FY25 levels (~INR300b). Going ahead, the priorities for capex would be on investments in the transport layer, home broadband, data center, and B2B, while radio capex would moderate.
- **Capital allocation:** Bharti would like to strike a balance between priorities such as: 1) deleveraging the balance sheet, 2) stepping up dividend payments, and 3) making selective and prudent investments to bolster capabilities in B2B adjacencies such as cloud, security, and data centers. Further, the company would look to list Airtel Money (Africa mobile money) and Airtel Payments Bank in the near term, as well as Nxtra (its data center arm) in the future.
- **Airtel Business:** Management believes there is a significant opportunity to scale up Airtel Business, especially in adjacencies. The order book and funnel additions remain robust, and there are some green shoots visible in the global business. Airtel's subsidiary Xtelify has recently launched its cloud offerings and has partnered with international telcos for its software platform.
- **Focus on quality customers:** Bharti continues to focus on subscriber mix premiumization through upgrades from feature phone to smartphone and prepaid to postpaid, increasing penetration of international roaming, along with partnerships with global firms for value-added services such as Google Cloud and Perplexity as a lever for revenue growth.

Valuation and view

- We continue to like Bharti's superior execution on the premiumization agenda. In addition, with moderation in capex intensity and a potential tariff hike, Bharti is likely to generate significant FCF (~INR1t over FY26-27E), which should lead to further deleveraging and improvement in shareholder returns.
- We raise our FY26-28E EBITDA by ~1% each, led by higher AAF growth. We model a 14%/17% CAGR in Bharti's consol. revenue/EBITDA over FY25-28E due to 1) benefits of ~15% tariff hike in India wireless from Dec'25, 2) continued acceleration in home broadband net adds, and 3) robust double-digit growth in Africa.
- Bharti continues to outperform (up ~22% in CYTD vs. +4% for Nifty-50), and valuations have re-rated (~12x FY27E EV/EBITDA for India business). We believe regular tariff hikes (beyond FY27) remain key for further re-rating of the stock.
- We **reiterate our BUY rating with SoTP-based revised TP of INR2,285**. We value the India wireless and homes business on DCF (implies ~13.4x Sep'27E EV/EBITDA), DTH/Enterprise at 5x/10x Sep'27E EBITDA, and Bharti's stake in Indus Towers and Airtel Africa at a 25% discount to our TP/CMP.

Consolidated - Quarterly Earnings summary (INR b)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Var (%)
Revenue	385	415	451	479	495	497	520	532	1,730	2,044	476	4.4
YoY Change (%)	2.8	12.0	19.1	27.3	28.5	19.8	15.2	11.2	15.3	18.1	26.6	
Total Expenditure	188	196	205	209	216	221	221	225	798	882	207	6.5
EBITDA	197	218	246	270	278	277	299	307	932	1,162	269	2.8
YoY Change (%)	0.6	12.0	24.1	39.5	41.3	26.6	21.7	13.8	19.0	24.7	38.9	-32
Depreciation	105	110	117	123	125	126	126	127	456	503	125	0.6
Net Finance cost	52	54	57	55	55	53	53	52	218	214	47	13.9
Other Income	13	13	21	5	6	4	4	2	53	17	5	-11.2
PBT before EO expense	53	68	93	97	105	102	125	131	311	462	102	-0.3
Extra-Ord expense	-7	9	-75	1	0	0	0	0	-73	0	0	
PBT	60	59	169	96	105	102	125	131	384	462	102	-0.3
Tax	13	17	8	-29	31	32	32	33	9	127	35	-8.0
Rate (%)	21.7	29.6	4.5	-30.2	29.3	31.3	25.5	25.0	2.4	27.5	33.9	
Minority Interest & P/L of Asso. Cos.	6	6	14	15	15	15	15	15	39	60	9	
Reported PAT	42	36	148	110	59	55	78	83	336	275	59	-6.7
Adj PAT	29	39	55	52	59	55	78	83	176	275	59	-6.7
YoY Change (%)	0.8	32.2	121.3	76.9	103.3	40.2	41.0	59.0	55.4	56.6	99.2	

E: MOFSL Estimates

Our SoTP-based TP for Bharti stands at INR2,285

SoTP based on Sept'27	Valuation base (INR b)		Multiple (x)		Valuation	
	EBITDA	Other	EBITDA	Other	(INRb)	(INR/share)
India business						
India wireless (including Hexacom)	850		13.4	DCF implied	11,388	1,963
Less: Hexacom minority (30% minority)	68		15.1	At our FV	308	53
Homes	59		13.4	DCF implied	792	137
India homes + wireless attributable value					11,872	2,047
DTH	15		5.0		76	13
Enterprise	98		10.0		979	169
Indus Towers attributable value	172	515	6.0	0.75	386	67
Other investments (Nxtra, APB)		135		1.0	135	23
India business enterprise value	1,079		12.5	Implied	13,448	2,319
India business net debt (including leases)					849	146
Network I2I perps					40	7
India business equity value (a)					12,559	2,165
International business						
Airtel Africa	304		4.4	At CMP	1,342	233
Airtel Africa net debt					456	79
Airtel Africa attributable value		553		0.75	415	72
Robi Axiata + Dialog SL attributable value		32		0.75	24	4
International business equity value (b)					439	76
Dividends (c)					255	44
Bharti Airtel TP (d) = (a) + (b) + (c)					13,253	2,285

Source: Company, MOFSL