

## Strong Business Matrix; ARPU Gains Continue

**Est. vs. Actual for Q3FY25:** Revenue – **INLINE**; EBITDA Margin – **BEAT**; PAT – **BEAT**

### Changes In Estimates post Q3FY25

**FY25E/FY26E:** Revenue: 0%/0%; EBITDA: 1.6%/3.2%; PAT: 6.7%/5.9%

### Recommendation Rationale

- The company's digital portfolio is gaining momentum along with market share gains
- The company maintained a substantial share of 4G/5G net ads in the market, with the 4G customer base expanding by 6.5 Mn QoQ and 25.2 Mn YoY. This now constitutes 77.8% of the overall customer base.
- The company's ARPU continues to be the best in the industry, and average data usage per customer stands healthy at 24.5 GB/month.
- The management remains optimistic about sustaining long-term demand growth, driven by a robust digital services portfolio, increasing rural adoption of 4G, and improved cash flow management.

### Sector Outlook: **Positive**

**Company Outlook & Guidance:** The company expects consistent revenue growth across its core business segments, driven by increasing 4G and 5G adoption, broadband expansion, and enterprise solutions. EBITDA margins are projected to remain strong, supported by operational efficiencies, network optimisation, and digital service monetisation. Management remains committed to financial prudence, ensuring sustainable free cash flow generation and debt reduction. Capex levels are expected to moderate in FY26, reflecting a decrease in 5G radio investments. It has already prepaid a significant portion of spectrum debt and expects a gradual reduction in the Capex-to-revenue ratio, aligning with global telecom peers. Airtel emphasises the need for continued tariff rationalisation to improve the industry's financial health.

### Current Valuation: SOTP based

**Current TP: 1,900/share (Earlier TP: Rs 1,880/share)**

**Recommendation:** Given the company's strong recovery potential backed by strong conversion, rising digital portfolio, and moderated Capex, **we maintain our BUY recommendation on the stock.**

### Financial Performance

In Q3FY25, Bharti Airtel Ltd. (Bharti) reported revenue of Rs 45,129 Cr, up 9% QoQ and 19% YoY, exceeding our expectations. This growth was driven by strong momentum in India and continued underlying growth in constant African currency. India revenues for Q3FY25 stood at Rs 34,654 Cr, reflecting a 24.6% YoY and 9.8% QoQ increase. Mobile revenues grew 21.4% YoY, primarily driven by the residual impact of the tariff hike. ARPU for the quarter stood at Rs 245, compared to Rs 208 in Q3FY24, and was also higher than its peer, Jio, which reported Rs 203 in Q3FY25.

### Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	45,129	9%	19%	43,180	4.5%
EBITDA	24,597	13%	24%	23,100	6.5%
EBITDA Margin	55%	183	222	53%	1.9%
Net Profit (Adj)	8,587	288%	461%	5,130	67.4%
EPS (Rs)	7.2	28%	51%	6.8	5.9%

Source: Company, Axis Securities Research

(CMP as of 7<sup>th</sup> February 2025)

CMP (Rs)	1,678
Upside /Downside (%)	13%
High/Low (Rs)	1,779/1,098
Market cap (Cr)	10,00,104
Avg. daily vol. (6m) Shrs.	5,94,320
No. of shares (Cr)	5.56

### Shareholding (%)

	Jun-24	Sept-24	Dec-24
Promoter	53.2	53.1	53.1
FII's	24.6	25.1	24.3
MFs / UTI	11.0	10.7	11.4
Banks / FI's	0	0	0.1
Others	11.2	11.1	11.2

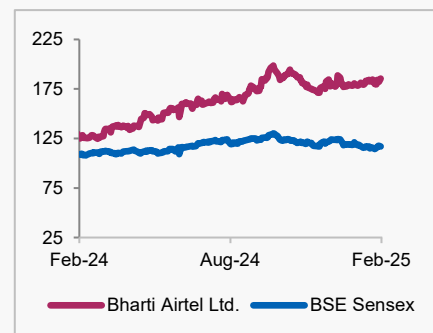
### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,49,982	1,74,779	2,28,762
EBITDA	78,292	91,998	1,24,780
Net Profit	16,130	23,755	50,099
EPS (Rs)	28.9	42.5	125.2
PER (x)	24.4	16.6	5.6
P/BV (x)	3.4	2.8	1.5
EV/EBITDA (x)	7.4	6.3	3.8
ROE (%)	13.8	16.9	26.3

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0%	0%
EBITDA	1.6%	3.2%
PAT	6.7%	5.9%

### Relative performance



Source: Ace Equity

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## Financial Performance (Cont'd)

The company has 120 Mn 5G customers, with 5G handsets making up over 80% of smartphone shipments. Further 5G expansion is planned. Airtel added 6.74 Lc broadband customers and expanded Fixed Wireless Access (FWA) coverage to over 2,000 cities. Fiber home pass additions stood at 1.9 Mn per quarter. Bharti Airtel plans to transfer 16,100 telecom towers to Indus Towers to improve operational efficiency and free up management bandwidth.

The company posted a healthy operating profit of Rs 24,597 Cr, benefiting from higher 4G conversions and an improved service mix—operating margins expanded by 183bps to 55%, supported by the strong premiumisation of accounts.

The net profit for Q3FY25 stood at Rs 16,133 Cr, which included an exceptional gain of Rs 7,546 Cr. Adjusted PAT (excluding exceptional gains) came in at Rs 8,587 Cr, registering an increase of 107% QoQ.

## 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

We maintain our BUY rating on the stock, given the company's superior margins, stronger subscriber growth, and higher 4G/5G conversions. Based on the SOTP valuation, We value the stock with a target price of Rs 1,900, indicating a potential upside of 14% from the current market price (CMP).

## Key Highlights

### Capex Trends:

- Elevated Capex this year due to the 5G rollout is expected to moderate in FY26.
- Investments in broadband expansion, enterprise solutions, and data centres will continue, while 4G-related radio Capex will decline.
- The management expects Capex levels to align with global peers as revenue growth continues gradually.

### ARPU Growth:

- Bharti Airtel maintains the highest ARPU in the industry and expects further improvement from the current Rs 245 level.
- Growth will be driven by a richer customer mix, 2G to 4G/5G migration, and increased service adoption.
- Management targets Rs 300 ARPU in the medium term, with early signs of improvement visible through modest SIM consolidation at the lower end.
- Full realisation of ARPU growth is expected over the next two quarters.

### Strong Revenue and Profit Growth Potential:

- Bharti Airtel's business fundamentals remain strong, with long-term revenue and profitability growth drivers intact.
- Key growth enablers include expanding rural distribution, network investments, and increasing 4G/5G penetration.
- The company is also evaluating strategic investment opportunities, such as tower sales, minority investments, and potential IPOs in mobile money ventures.

### Home Broadband Expansion:

- The home broadband segment is set to improve with a multi-solution approach that integrates fiber, Fixed Wireless Access (FWA), and digital content. The company is leveraging a "Hunting and Mining" strategy—offering diverse solutions to existing customers ("Hunting") while aggressively acquiring new households ("Mining"). The top 60 million homes contribute 35% of industry revenue, yet broadband penetration is limited to 40 million households. Bharti Airtel claims to have a relationship with these households, positioning it well for targeted customer acquisition and expansion.

## Key Risks to Our Estimates and TP

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

## Valuation & outlook

- From a long-term perspective, we believe 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. So, We are optimistic about the company's future development. **We value the stock with a target price of Rs 1,900, indicating a potential upside of 14% from the current market price (CMP).**

### SOTP Valuation

Segments	FY26E EBITDA (Rs Bn)	FY26E EBITDA/ Share (Rs)	Multiple (X)	Enterprise Value (Rs Bn)	Value Per Share (Rs)
India Wireless	984.8	176.2	11.1	10,833	1,947
Telemedia services	43.8	7.8	9.3	407	73
Enterprise	69.6	12.5	8.0	557	100
DTH	13.7	2.4	7.0	96	17
Wireless – Africa	269.1	48.1	8.0	1,141	204
Others*	(42.3)	(7.6)	8.0	(338)	(60)
<b>Sub-total</b>	<b>1,286.2</b>	<b>230.1</b>	<b>9.1</b>	<b>12,460</b>	<b>2,238</b>
Consol Equity				355	64
<b>Enterprise Value</b>				<b>12,816</b>	<b>2,301</b>
(-) Net Debt				2,243	401
<b>Target Price (Rs)</b>				<b>10,572</b>	<b>1,900</b>

Source: Company, Axis Securities Research

### Results Review

In Cr	Q3FY25	Q2FY24	Q3FY24	% Change (YoY)	(Rs Cr) % Change (QoQ)
<b>Total revenues</b>	<b>45,129</b>	<b>41,473</b>	<b>37,900</b>	<b>19%</b>	<b>9%</b>
Access charges	1,964	1,821	1,857		
<b>Net revenue</b>	<b>43,166</b>	<b>39,652</b>	<b>36,043</b>	<b>20%</b>	<b>9%</b>
License fees	3,570	3,466	3,021		
Network costs	8,627	8,012	7,593		
Employee costs	1,608	1,497	1,323		
Sales & marketing	2,926	2,882	2,047		
General & Administration	1,838	1,950	2,245	-18%	-6%
<b>Total Opex</b>	<b>18,569</b>	<b>17,806</b>	<b>16,228</b>		
<b>EBITDA</b>	<b>24,597</b>	<b>21,846</b>	<b>19,815</b>	<b>24%</b>	<b>13%</b>
EBITDA / Total revenues	55%	53%	52%	222	183
D&A	9,734	11,000	10,074		
EBIT	12,892	10,846	9,741	32%	19%
<b>Finance cost (net)</b>	<b>5,678</b>	<b>5,424</b>	<b>6,645</b>		
JV / Associates gain/(loss)	1,660	1,074	703		
Other income	470	255	440		
Profit before Tax	9,344	6,751	4,239		
<b>Income tax expense</b>	<b>757</b>	<b>1,744</b>	<b>1,232</b>	<b>-39%</b>	<b>-57%</b>
Exceptional Loss/(gain) (net of tax)	(7,546)	854	130	-	-
Profit after tax (after exceptional items)	16,133	4,153	2,876		
<b>Net income</b>	<b>16,133</b>	<b>4,153</b>	<b>2,876</b>	<b>461%</b>	<b>288%</b>

Source: Company, Axis Securities Research

**Financials (consolidated)**
**Profit & Loss**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>1,39,145</b>	<b>1,49,982</b>	<b>1,74,779</b>	<b>2,28,762</b>
Growth, %	19	8	17	31
Other income	0	0	0	0
<b>Total income</b>	<b>1,39,145</b>	<b>1,49,982</b>	<b>1,74,779</b>	<b>2,28,762</b>
Raw material expenses	-7,621	-7,519	-7,430	-7,436
Employee expenses	(4,831)	(5,323)	(5,439)	(5,556)
Other Operating expenses	-66,626	-70,406	-71,361	-73,446
<b>EBITDA (Core)</b>	<b>71,274</b>	<b>78,292</b>	<b>91,998</b>	<b>1,24,780</b>
Growth, %	24	10	18	36
Margin, %	51	52	53	55
Depreciation	36,432	39,538	40,424	41,690
<b>EBIT</b>	<b>34,842</b>	<b>38,754</b>	<b>49,561</b>	<b>86,785</b>
Growth, %	43	11	28	75
Margin, %	25	26	28	38
Interest paid	-16,901	-22,648	-22,186	-22,424
Other Non-Operating Income	937	1,435	1,451	1,375
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>19,629</b>	<b>20,251</b>	<b>34,757</b>	<b>77,075</b>
Tax provided	-4,273	-4,121	-5,096	-4,994
<b>Profit after tax</b>	<b>15,356</b>	<b>16,130</b>	<b>23,755</b>	<b>50,099</b>
Others (Minorities, Associates)	0	0	0	0
<b>Net Profit</b>	<b>15,356</b>	<b>16,130</b>	<b>23,755</b>	<b>50,099</b>
Growth, %	132	5	47	111
<b>Net Profit (adjusted)</b>	<b>15,356</b>	<b>16,130</b>	<b>23,755</b>	<b>50,099</b>

Source: Company, Axis Securities Research

**Balance Sheet**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Cash & bank	19,088	14,649	14,417	15,339
Other current assets	39,033	39,109	37,672	37,744
Total current assets	58,121	53,758	52,089	53,083
Gross fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Net fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Non-current assets	32,435	32,973	33,102	33,516
<b>Total assets</b>	<b>4,69,456</b>	<b>4,56,782</b>	<b>4,80,544</b>	<b>5,30,650</b>
Current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Total current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Non-current liabilities	2,18,225	2,18,225	2,18,225	2,18,225
Total liabilities	3,40,189	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	97,591	1,13,721	1,37,476	1,87,575
Shareholders' equity	1,29,267	1,16,593	1,40,355	1,90,461
<b>Total equity &amp; liabilities</b>	<b>4,69,456</b>	<b>4,56,782</b>	<b>4,80,544</b>	<b>5,30,650</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Pre-tax profit	19,629	20,251	34,757	77,075
Depreciation	36,432	39,538	40,424	41,690
Chg in working capital	1,131	-606	1,163	-479
Total tax paid	-4,646	-4,121	-5,096	-4,994
Other operating activities	0	0	0	0
Cash flow from operating activities	52,509	55,054	67,499	87,608
<b>Capital expenditure</b>	<b>-40,299</b>	<b>-39,721</b>	<b>-43,425</b>	<b>-51,856</b>
Chg in investments	0	0	0	0
Chg in marketable securities	-374	-76	1,437	-72
Other investing activities	-12,647	-3,542	0	0
Cash flow from investing activities	-52,193	-40,554	-40,394	-48,337
<b>Free cash flow</b>	<b>316</b>	<b>14,500</b>	<b>26,072</b>	<b>43,521</b>
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	59,807	0	0	0
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
<b>Cash flow from financing activities</b>	<b>63,308</b>	<b>-28,805</b>	<b>7</b>	<b>8</b>
Net chg in cash	63,623	-14,305	26,080	43,529
Opening cash balance	12,980	19,088	14,649	14,417
<b>Closing cash balance</b>	<b>19,088</b>	<b>14,649</b>	<b>14,417</b>	<b>15,339</b>

Source: Company, Axis Securities Research

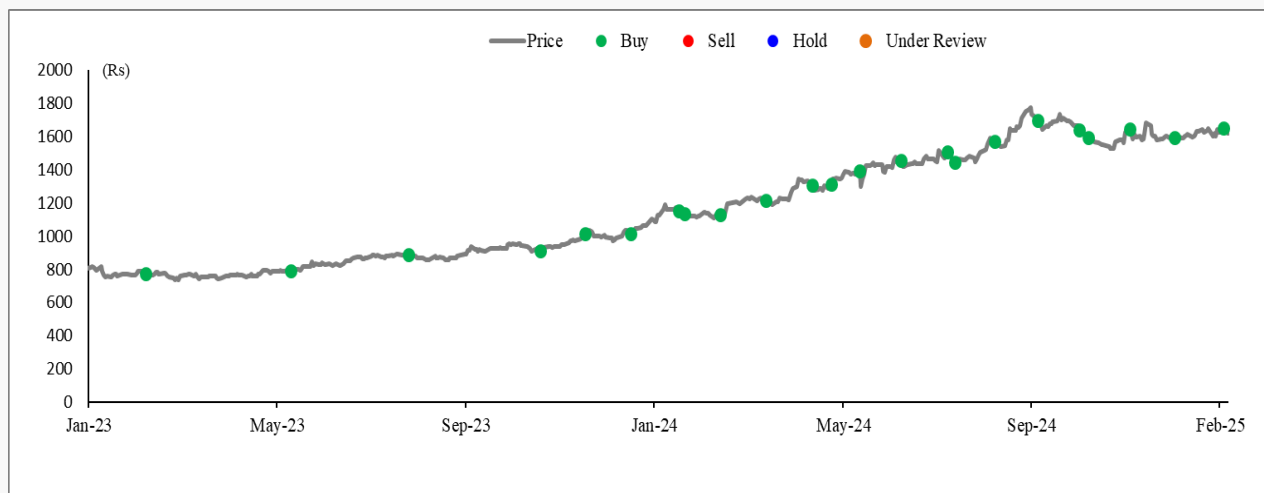
**Ratio Analysis**

(%)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Per Share data</b>				
EPS (INR)	27.5	28.9	42.5	125.2
Growth, %	132.4	5.0	47.3	194.7
Book NAV/share (INR)	179.6	208.4	250.9	475.9
FDEPS (INR)	27.5	28.9	42.5	125.2
CEPS (INR)	92.6	99.6	118.4	220.2
CFPS (INR)	104.4	92.0	111.6	206.9
DPS (INR)	0.0	0.0	0.0	0.0
Return ratios	0.0	0.0	0.0	0.0
<b>Return on assets (%)</b>	<b>6.9</b>	<b>7.9</b>	<b>9.6</b>	<b>15.7</b>
Return on equity (%)	15.3	13.8	16.9	26.3
Return on capital employed (%)	8.1	8.4	10.0	15.2
Turnover ratios	0%	0%	0%	0%
Asset turnover (x)	77%	84%	97%	123%
<b>Sales/Total assets (x)</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>
Sales/Net FA (x)	51%	54%	63%	81%
Working capital/Sales (x)	-60%	-55%	-48%	-37%
Fixed capital/Sales (x)	180%	167%	143%	114%
Receivable days	0%	0%	0%	0%
Inventory days	0.0	0.0	0.0	0.0
Payable days	0%	0%	0%	0%
Working capital days	(217.54)	(201.64)	(176.03)	(134.38)
<b>Liquidity ratios</b>				
Current ratio (x)	0.48	0.44	0.43	0.44
Quick ratio (x)	0.48	0.44	0.43	0.44
Interest cover (x)	2.06	1.71		
Dividend cover (x)				
Total debt/Equity (%)	201.62	173.71	144.29	106.32
Net debt/Equity (%)	182.60	161.14	134.01	98.26
<b>Valuation</b>				
PER (x)	25.64	24.41	16.57	5.62
PEG (x) - y-o-y growth	0.19	4.84	0.35	0.03
Price/Book (x)	3.92	3.38	2.81	1.48
Yield (%)				
EV/Net sales (x)	4.15	3.88	3.33	2.05
EV/EBITDA (x)	8.10	7.43	6.32	3.76
EV/EBIT (x)	16.56	15.00	11.74	5.40

Source: Company, Axis Securities Research

## Bharti Airtel Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-23	BUY	960	Result Update
18-May-23	BUY	960	Result Update
07-Aug-23	BUY	1,025	Result Update
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

Source: Axis Securities Research

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