

Decent overall performance with consistent rise in ARPUs

Q3FY24 Result Update | Sector: Telecom | February 06, 2024

Decent overall performance: Bharti Airtel Q3FY24 revenue grew at a moderate pace of 5.9% YoY/2.3% QoQ to Rs 37,900 Cr, mainly driven by the Indian businesses. Mobile Service India grew by 11.8% YoY accounting for 57.1% of its overall revenue, Mobile Services Africa revenue declined by 7.1% YoY and accounted for 27.2% of its consolidated revenue while the remaining 15.7% was from non-mobile business. It's Adj. PAT after minority interest grew by 53.8% YoY to Rs 2,442 Cr.

Cost cutting initiative aided in margin expansion: EBITDA came in at Rs 19,815 Cr, higher by 7.4% YoY while margin expanded by 74bps YoY to 52.3%. Despite the moderate growth in revenue, its cost optimization efforts as well as improved realizations from quality user base resulted in better operating efficiency aiding in consistent operational performance.

Weak African performance: Despite the addition of 3.5 Mn customers to its user base and ARPUs growing by 8.8% YoY to USD 2.6/user, revenue from Mobile Services Africa declined by 7.1% YoY while it remained flat sequentially at Rs 10,297 Cr, similarly, EBIT declined by 7.3% YoY to Rs 3,414 Cr. The decline in revenue was mainly due to devaluation in African currency especially in Naira, Nigeria and Malawian Kwacha regions.

Healthy Indian mobile performance: Its Mobile Services India business revenue grew by 11.8% YoY/3.3% QoQ to Rs 21,629 Cr, led by customer additions of 3.4 Mn while EBIT grew by 18.9% YoY/2.5% QoQ to Rs 4,795 Cr. Its participation of data customers rose by 400bps YoY to 71.8% while data consumption rose by 5.9% YoY to 22 GB/ user. The consistency in customer addition, gradual transition to 4G/5G user base and from prepaid to postpaid lead the ARPUs to further expand by 7.8% YoY to Rs 208.

Non-Core segment performance: Its Home business revenue came in at Rs 1,272 Cr, registering a growth of 23% YoY driven by net addition of 359,000, similarly, EBIT grew by 31.4% YoY to Rs 300 Cr. Digital Services added 388,000 customers with revenue of Rs 784 Cr up by 6% YoY, however, its profitability (EBIT) declined by 1.1% YoY to Rs 91 Cr.

Outlook & Valuation: Despite the moderation in customer addition, it has consistently been able to expand its ARPUs in the Indian business by targeting quality customers and maintaining its active user base. It has been gradually implementing its 5G infrastructure across the country while it is also targeting more than 60k villages which shall aid in customer addition and ARPUs expansion. Further, its strategic focus on postpaid addition and improving economic condition in African markets and tariff hike as well as monetization of 5G services shall result in overall growth for the company. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 16.6%/19.2%/19.4% over FY23-FY26E. We maintain our **Buy** rating and revise our target price upwards to **Rs 1,366**.

BUY

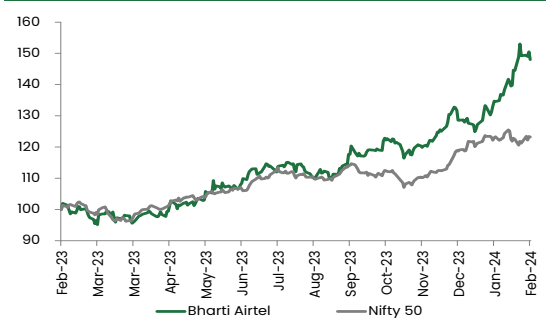
CMP (Rs)	1,134
Target Price (Rs)	1,366
Potential Upside	20.5%
Sensex	72,186
Nifty	21,929

Key Stock data

BSE Code	532500
NSE Code	BHARTIARTL
Bloomberg	BHARTI:INN
Shares o/s, Cr (FV 5)	562.5
Market Cap (Rs Cr)	649,455
3M Avg Volume	5,127,041
52 week H/L	1,201/736

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	55.0	54.8	54.7
FII	21.5	21.9	22.7
DII	19.6	19.8	19.6
Others	3.9	3.6	3.0

1 year relative price performance

1 year EV/EBITDA Forward (x)

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Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	139,145	155,842	187,011	220,673
EBITDA	71,274	82,447	100,612	120,742
EBITDAM (%)	51.2	52.9	53.8	54.7
PAT (After minority interest)	8,346	2,872	9,177	15,616
PATM (%)	6.0	1.8	4.9	7.1
EPS (Rs)	14.7	5.1	16.2	27.5
EV/EBITDA (x)	11.8	10.4	8.7	7.3
PE (x)	75.7	219.8	68.8	40.4
RoE (%)	12.5	10.6	13.0	17.2

Source : RBL Research

Concall & Other key highlights: 1) Postpaid net additions stood at 0.9 Mn in Q3FY24. 2) Prepaid Rs 8,325 Cr in Q3FY24 and Rs 16,349 Cr in 9MFY24 to DoT towards spectrum acquisition. 3) Capex was Rs 9,274 Cr during Q3FY24. 4) Revenue contribution from 2G services was at ~17%. 5) Targeting network expansion across Maharashtra, Chhattisgarh and other regions to bridge the market share gap with the leading player. 6) Net Debt at the end of Q3FY24 was Rs 1.4 Lakh Cr. 7) The 5G customer base stood at 65 Mn users in its Indian business. 8) The management expects 5G handset penetration to increase from 15% to 25% by March 2025.

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net sales	37,900	35,804	5.9	37,044	2.3
Network operating expenses	7,593	7,328	3.6	7,424	2.3
Access charges	1,857	1,935	(4.1)	1,814	2.3
License fee / Spectrum charges	3,021	2,842	6.3	2,964	1.9
Personnel costs	1,323	1,235	7.1	1,379	(4.1)
Sales & Marketing expense	2,047	1,912	7.1	1,959	4.5
Other overheads	2,245	2,098	7.0	1,989	12.8
EBITDA	19,815	18,453	7.4	19,514	1.5
EBITDA Margin (%)	52.3	51.5	74 bps	52.7	-39 bps
Depreciation	10,074	9,298	8.4	9,734	3.5
Interest	6,645	4,686	41.8	5,186	28.1
Other income	440	258	70.7	330	33.1
Share of profit / (loss) from associates	703	(368)	-	586	20.0
EO gains / (loss)	(130)	(670)	-	(1,570)	-
PBT	4,108	3,689	11.4	3,940	4.3
Tax	1,232	1,076	14.5	1,847	(33.3)
Effective tax rate (%)	30.0	29.2	83 bps	46.9	-
Reported PAT	2,876	2,614	10.1	2,093	(99.5)
Minority Interest	434.2	1,025.5	(57.7)	752.5	(42.3)
PAT (after minority interest)	2,442	1,588	53.8	1,341	82.2

Source : RBL Research

Revenue Break Up

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Mobile Services India	21,639	19,353	11.8	20,952	3.3
Mobile Services Africa	10,297	11,088	(7.1)	10,277	0.2
Mobile Service S.A	95	78	21.8	93	1.3
Airtel Business	5,195	4,778	8.7	5,110	1.7
Homes Service	1,272	1,034	23.0	1,221	4.2
Digital TV Services	784	739	6.0	752	4.3
Others	50	26	90.0	30	64.8
Total	39,330	37,095	6.0	38,435	2.3
Less: Inter Segmental	1,431	1,291	10.8	1,391	2.9
Total Revenue	37,900	35,804	5.9	37,044	2.3

Source : RBL Research

Decent revenue growth led by Indian operations

Improved realizations and cost cutting initiatives led to EBITDA expansion

Healthy operational performance led PAT to expand by 53.8% YoY

Resilient Indian operations driving revenue growth

Barring African business, healthy EBIT growth across segments

EBIT Break Up

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Mobile Services India	4,795	4,031	18.9	4,678	2.5
Mobile Service Africa	3,414	3,681	(7.3)	3,492	(2.2)
Mobile Service S.A	(65)	(45)	-	(51)	-
Airtel Business	1,501	1,413	6.2	1,543	(2.8)
Tower Infrastructure	667	(401)	-	552	20.9
Homes Service	300	228	31.4	289	3.6
Digital TV Services	91	92	(1.1)	37	143.0
Others	38	33	15.3	22	73.3
Total EBIT	10,740	9,031	18.9	10,562	1.7

Source : RBL Research

Maintains industry leadership with ARPUs of Rs 208

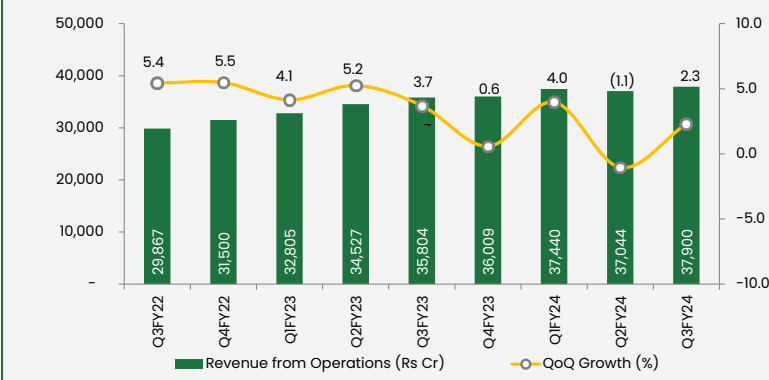
India Wireless KPIs

Particulars	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Wireless Traffic (b min)	1,161	1,082	7.3	1,148	1.1
Total Subscribers (mn)	397	369	7.5	389	1.9
Data Subscribers (mn)	253	225	12.4	246	3.0
4G Subscribers (mn)	245	217	13.0	237	3.1
ARPU (INR)	208	193	7.8	203	2.5
MOU (min)	1,127	1,094	3.0	1,123	0.4
Data Traffic (bmb)	16,377	13,853	18.2	15,749	4.0
Data Usage per Subscriber (GB)	22	21	5.9	22	1.4
Monthly Churn (%)	2.9%	3.0%	-10 bps	2.9%	-

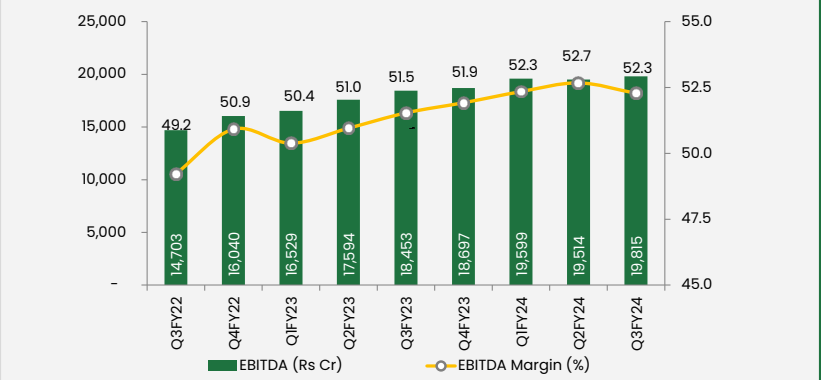
Source : RBL Research

Story in charts

Moderate revenue growth driving by Indian businesses

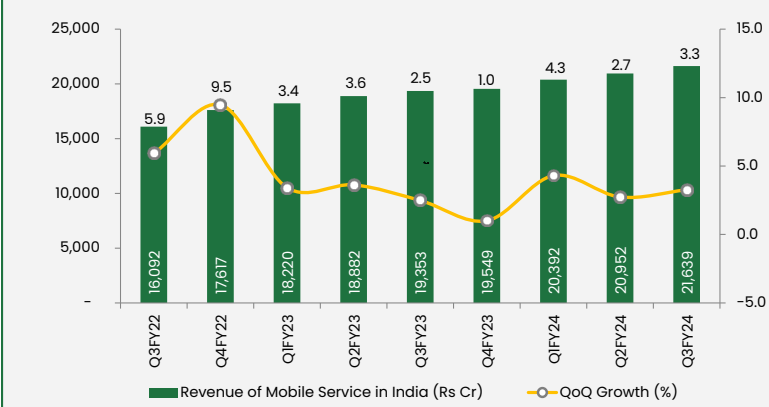


Improved realizations and cost optimization driving growth

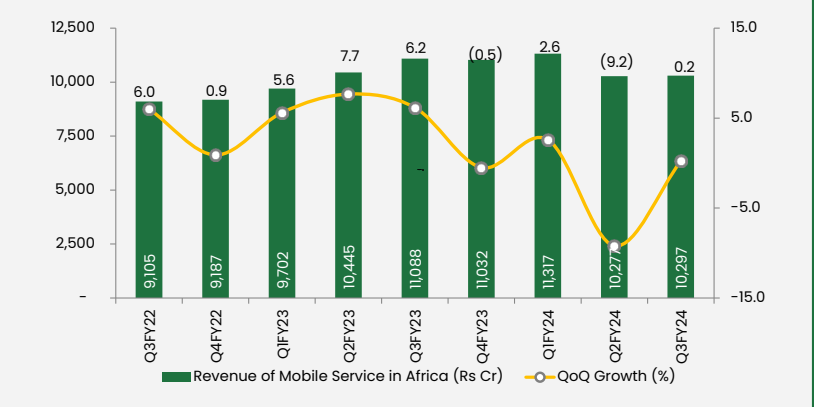


Source : RBL Research

Decent growth driven by steady customer base

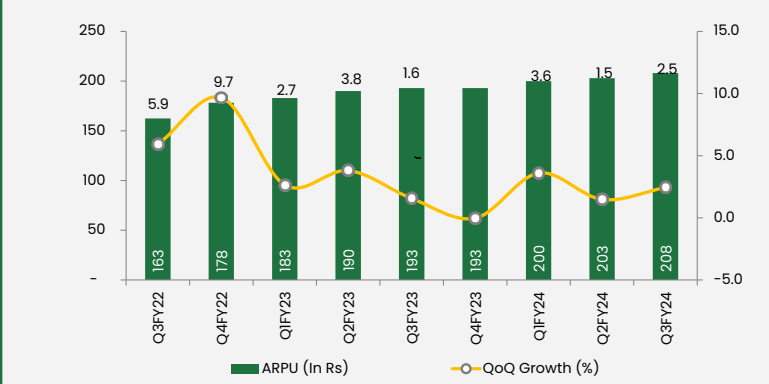


Currency devaluation in African market impacting revenue growth

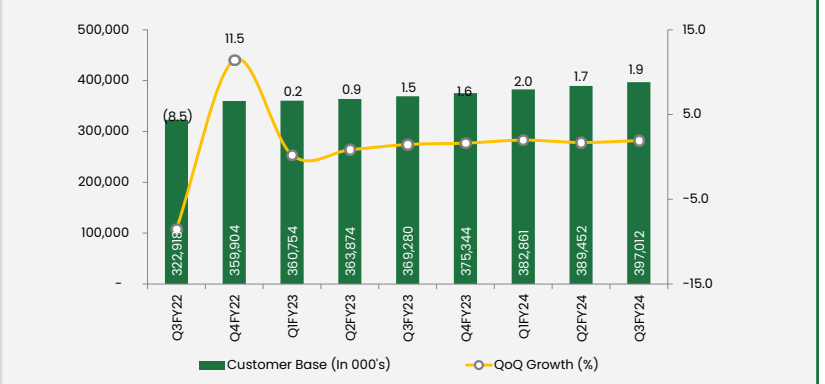


Source : RBL Research

ARPU's continue grow due to customer addition and sticky user base

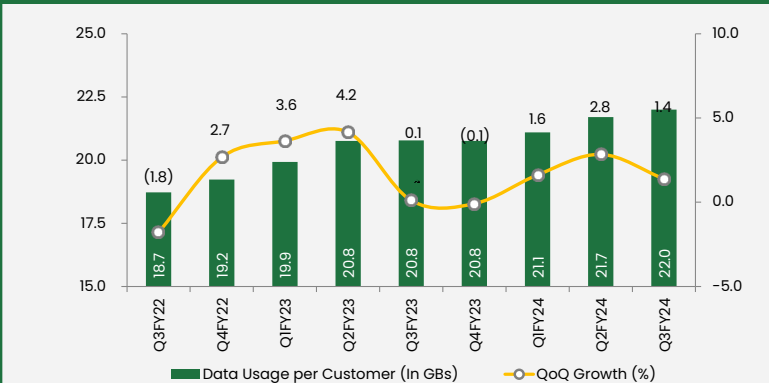


Moderation in customer addition

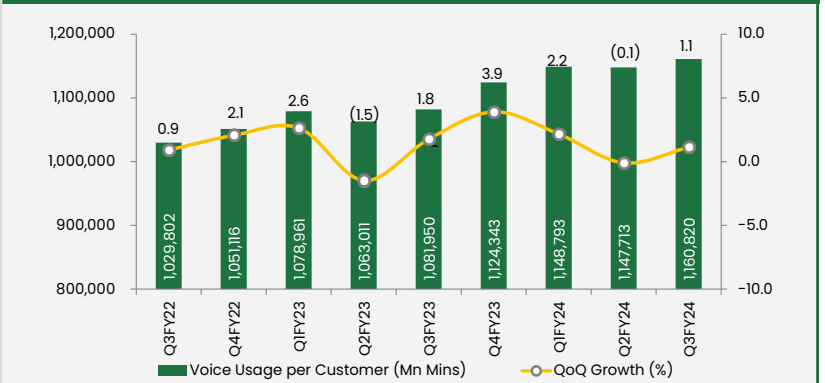


Source : RBL Research

Rise in data consumption driven by higher % of 4G/5G user base



Trend of voice usage data



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	139,145	155,842	187,011	220,673
Expenditure				
Network Operating Expense	28,543	31,168	36,748	42,926
Access Charges	7,621	7,948	9,070	10,267
License fees / spectrum charges	11,752	12,305	14,961	17,342
Employee Costs	4,831	5,454	6,545	8,060
Sales & marketing expense	7,245	7,792	8,883	9,984
Other Overheads	7,879	8,727	10,192	11,352
Total Expenditure	67,871	73,395	86,399	99,930
EBITDA	71,274	82,447	100,612	120,742
EBITDAM (%)	51.2	52.9	53.8	54.7
Other income	937	1,218	1,522	1,902
Depreciation	36,432	43,718	52,462	62,954
PBIT	35,778	39,946	49,672	59,690
Interest expenses	19,300	23,160	25,476	26,750
Share of Profit from Associates	752	-	-	-
PBT (before exceptional income / (loss))	17,231	16,787	24,196	32,941
Extraordinary income / (loss) (net of tax)	(670)	(5,367)	(1,250)	250
PBT	16,561	11,420	22,946	33,191
Tax	4,273	4,339	8,719	11,617
Reported PAT	12,287	7,080	14,227	21,574
Minority Interest	3,942	4,208	5,049	5,958
PAT (After minority interest)	8,346	2,872	9,177	15,616

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	2,836.6	2,836.6	2,836.6	2,836.6
Reserves & Surplus	74,726	74,762	80,536	92,180
Total Shareholder's Fund	77,563	77,599	83,372	95,017
Minority interest	28,881	32,347	38,817	45,804
Non-Current Liabilities				
Total Debt	226,020	240,915	253,069	263,223
Other long term liabilities	13,276	14,870	17,843	21,055
Deferred tax liabilities	2,076	2,206	2,346	2,346
Long term provision	474	531	638	752
Current Liabilities				
Trade payables	32,895	36,842	44,210	52,168
Short term provisions	25,729	28,817	35,953	44,691
Other current liabilities	39,718	44,484	53,381	62,989
Total Liabilities	446,633	478,611	529,630	588,046
Fixed Assets	95,224	91,506	84,045	81,090
Current work in process	49,425	55,356	66,428	78,385
Intangible assets	127,523	137,523	149,973	161,473
Non current investment	28,249	31,639	37,967	44,801
Other non-current assets	69,758	78,129	93,755	110,631
Deferred Tax Assets	18,952	21,226	25,471	30,056
Current Assets				
Current investments	4,705	5,269	6,323	7,461
Inventories	258	289	346	409
Trade receivables	3,982	4,459	5,351	6,314
Cash & Cash equivalents	13,418	13,858	12,744	11,698
Other current assets	35,139	39,356	47,227	55,728
Total Assets	446,633	478,611	529,630	588,046

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	16,561	11,420	22,946	33,191
Depreciation	36,432	43,718	52,462	62,954
Tax paid	(4,273)	(4,339)	(8,719)	(11,617)
Working capital Change	9,696	7,076	14,581	16,777
Operating Cash Flow (a)	58,416	57,874	81,269	101,306
Capex	(90,795)	(55,931)	(68,521)	(83,457)
Free Cash Flow	(32,379)	1,943	12,748	17,849
Investments	(27,957)	(12,325)	(23,007)	(24,848)
Investing Cash Flow (b)	(118,751)	(68,256)	(91,529)	(108,305)
Debt Issuance/ (Repaid)	56,342	14,895	12,154	10,154
Dividend Paid	(2,269)	(2,837)	(3,404)	(3,971)
Share Capital Issuance, QIP proceeds	4,932	-	-	-
Others	1,256	(1,236)	395	(229)
Financing Cash Flow (c)	60,261	10,822	9,145	5,953
Net Cash Flow (a + b + c)	(75)	440	(1,114)	(1,046)
Closing Cash	13,418	13,858	12,744	11,698

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per Share Ratios (Rs)				
EPS	14.7	5.1	16.2	27.5
Book value per share	136.7	136.8	147.0	167.5
Profitability Ratios (%)				
EBITDA Margin	51.2	52.9	53.8	54.7
PBT Margin	11.9	7.3	12.3	15.0
Net Profit Margin	6.0	1.8	4.9	7.1
RoCE	7.5	7.4	8.7	10.3
RoE	12.5	10.6	13.0	17.2
Efficiency (x)				
Fixed Asset Turnover	1.2	1.1	1.3	1.4
Debtor (Days)	10	10	10	10
Interest Cover Ratio	1.8	1.7	1.9	2.2
Debt-Equity Ratio	2.9	3.1	3.0	2.8
Valuation Ratios (x)				
P/E	75.7	219.8	68.8	40.4
P/B	8.1	8.1	7.6	6.6
EV/EBITDA	11.8	10.4	8.7	7.3

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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