

## Q2FY21 result review

## Telecom

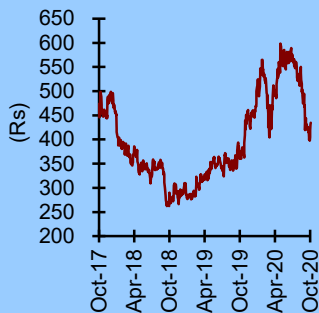
Target price: Rs655

## Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	59.0	56.2	56.2
Institutional investors	36.1	38.5	39.3
MFs and others	10.6	12.8	14.4
Insurance Cos.	4.9	5.2	7.0
FII	20.6	20.5	17.9
Others	4.9	5.3	4.5

Source: NSE

## Price chart



INDIA

## Bharti Airtel

**BUY**  
**Maintained**  
**Rs433**

## An impressive all round performance

Bharti Airtel's (Bharti) Q2FY21 result shows its superior execution in India mobile, and across other segments. Bharti's India mobile print shows marked improvement in many areas such as growth in total subs without ARPU dilution which shows quality of customer addition; lower churn rate increasing life-time value of customers and continued delivery of 4G net add, which has now likely matched the market leader. Our estimates for FY21 had downside risk on delay in tariff hike; however, robust Q2FY21 performance has offset much of it. We believe higher 4G subs base will enable Bharti to better transfer tariff hike into ARPU whenever it happens (and believe it is matter on 'when' and not 'if'). **Maintain BUY with target price of Rs655.**

- **Why India mobile performance impresses us?** 1) Bharti's total subs add at 13.9mn is multi-year high; and more importantly these subs have come at same ARPU as company. This shows high quality subs addition, and not second SIM. 2) Bharti added strong 0.7mn post-paid subs. 3) Bharti's churn rate fell to 1.7%, which is multi-year low, thus, improving life-time value of subs-base. 4) 4G subs net add at 14.4mn implies Bharti continued higher incremental market share in 4G smartphone sales. This conversion is helping organic ARPU growth and 5) incremental India mobile EBITDA margin of 70%.
- **All round performance in India business.** India mobile revenue grew strong 7.4% QoQ / 26% YoY to Rs138bn (I-Sec: Rs135bn) driven by subs growth of 5% to 294mn, and ARPU rise of 3.4% to Rs162 (I-Sec: Rs157). ARPU rise was driven by strong data / 4G net add of 13.1mn / 14.4mn, respectively. India non-mobile revenue rose 2.0% QoQ / 5.5% YoY to Rs49bn. Home services (FTTH) and Airtel Business (enterprise) have grown steady at 7.3% and 7.5%, respectively. Africa had stellar performance with revenue growth of 13.4% QoQ / 14.3% YoY (and constant currency growth of 19.6% YoY) at US\$965mn led by subs and ARPU growth of 12% and 0.6% YoY, respectively.
- **India EBITDA beat our estimate by 9.2%** at Rs86bn (up 10.3% QoQ / 35.7 YoY) which was driven by India mobile EBITDA growth of 12.8% QoQ / 47.6% YoY to Rs59bn. India non-mobile EBITDA rose 4.2% QoQ and 27% YoY to Rs22bn. This was partly helped by employee and SG&A cost normalisation, down 13% and 6% QoQ; but rose 5% and 11% YoY, respectively. India incremental EBITDA margin also stood at strong 70%. Finance cost rose 40% QoQ to Rs27bn on inclusion of interest on AGR dues. Africa EBITDA rose 15.2% QoQ / 14% YoY to US\$424mn.
- **FCF (post-interest) was Rs33bn on lower interest payout.** Bharti's operating cashflow post-interest was Rs104bn (vs Rs61bn in Q1FY21) on nil interest payout. Adjusted for interest, operating cashflow was up 25% QoQ. Working capital was negative Rs15bn vs positive Rs20bn in Q1FY21. Cash capex was Rs56bn (including spectrum payments); hence, FCFE was at Rs33bn. Accordingly, net debt reduced Rs20bn (adjusted for AGR dues) to Rs1,074bn (ex-lease liability); and Bharti made dividend payment of Rs17bn. Cashflow now covers cash payments including normalised finance cost.

Market Cap	Rs2364bn/US\$32.1bn
Reuters/Bloomberg	BRTI.BO / BHARTI IN
Shares Outstanding (mn)	5,455.6
52-week Range (Rs)	599/360
Free Float (%)	43.8
FII (%)	17.9
Daily Volume (US\$/'000)	1,79,222
Absolute Return 3m (%)	(22.3)
Absolute Return 12m (%)	16.6
Sensex Return 3m (%)	7.1
Sensex Return 12m (%)	4.4

Year to Mar	FY19	FY20	FY21E	FY22E
Revenue (Rs bn)	808	875	1,019	1,155
Net Income (Rs bn)	(7)	(56)	43	135
EPS (Rs)	3.2	(59.0)	7.9	24.7
% Chg YoY	(32.5)	NA	NA	212.1
P/E (x)	135.4	(7.3)	54.6	17.5
CEPS (Rs)	51.8	31.7	50.4	67.0
EV/E (x)	12.4	9.2	7.0	5.5
Dividend Yield (%)	0.6	0.4	0.5	2.3
RoCE (%)	2.4	4.6	9.7	16.3
RoE (%)	1.8	(43.3)	5.5	16.0

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## Other highlights

### Bharti India: All round performance

- **Bharti India mobile revenue** rose 7.4% QoQ at Rs138bn. ARPU rose 3.4% QoQ vs our expectation of Rs157, driven by higher 4G subs additions during the quarter. EBITDA improved 12.8% QoQ to Rs59bn, and EBITDA margin 42.6%, up 200bps QoQ and 625bps YoY. Incremental EBITDA margin came in at 70.1%.
- **Subs** rose 13.9mn to 294mn. It added 0.7mn postpaid subs to 15.3mn.
- **ARPU** rose to Rs162 (up 3.4% QoQ). It should have benefitted from strong post-paid addition. We are impressed that ARPU rose despite strong total subs addition, which means new subs have come in at same ARPU as company.
- **Mobile minutes** rose 5.0% QoQ to 860bn, implying a net addition of 40.6bn minutes QoQ vs loss of 1.6bn in Q1FY21. Minutes of usage per sub came in at 1,005 minutes per month, up 1.1% QoQ.
- **4G** sub-base grew 10.4% QoQ to 152.7mn (+14.4mn) vs normalised 4G addition of ~8mn. Total data subs rose 13.1mn to 162.2mn, up 8.8% QoQ.
- **Data usage** grew 5.5% QoQ (58.2% YoY) to 7,639bn-MB. Data usage per sub came in at 16.4GB per month, dip of 1.5% QoQ.
- **Churn rate** for Bharti dipped to 1.7% in Q2FY21 vs 2.2% in Q1FY21. Gross subscriber addition came in at 28.7mn in Q2FY21 (vs 15mn in Q1FY21).
- **Non-mobile businesses highlights:** 1) Non-mobile revenue grew 2.0% QoQ to Rs49.2bn and EBITDA rose by 4.2% QoQ to Rs22.1bn.
- DTH revenue rose 1.3% QoQ to Rs7.5bn and EBITDA rose 6.1% QoQ to Rs5.3bn. EBITDA margin came in at 70.9%.
- Airtel business (enterprise) revenue rose 2.3% QoQ to Rs35.8bn and EBITDA rose 5.2% QoQ to Rs13.3bn.
- Home services revenue was up 1.5% QoQ / 7.3% YoY to Rs5.8bn but EBITDA dipped 2.5% QoQ to Rs3.4bn.
- Overall, **Bharti's India revenue** rose 22.1% YoY / 6.5% QoQ to Rs188bn. India EBITDA rose 35.7% YoY and 10.3% QoQ to Rs86bn. EBITDA was helped by SG&A cost dip of 6.3% QoQ to Rs13bn and employee cost dip of 12.9% QoQ to Rs5.8bn.
- India finance cost rose 40% QoQ to Rs27bn on inclusion of interest cost on AGR dues, which stood at Rs234bn.
- **India capex** stood at Rs56bn (27% of revenues) in Q2FY21.

### Bharti Africa: An impressive show

- In constant currency terms, gross revenue rose 19.6% YoY to US\$963mn.
- In US\$ terms, reported revenue rose 13.4% QoQ / 14.3% YoY to US\$965mn, which was led by net subs addition of 4.9mn to 116mn and ARPU rose 8.8% QoQ to US\$2.8.

- **Mobile minutes** rose 11.8% QoQ and 32% YoY and data usage grew 28% QoQ and 101% YoY.
- **Data subscribers** grew 4.3% QoQ to 37mn (+1.5mn in Q2FY21) and data usage rose 27.6% QoQ and 100.7% YoY to 279bn-MB. Data usage per subscriber stood at 2.6GB per month, up 21.5% QoQ.
- **EBITDA** rose 15.2% QoQ / 14% YoY to US\$424mn and EBITDA margin expanded 70pps QoQ to 43.9%.
- Bharti Africa reported a **net profit** of US\$70mn in Q2FY21 compared to US\$49mn in Q1FY21.
- **Africa capex** was US\$149mn (15.5% of Africa revenues) in Q2FY21.

### Bharti (consolidated)

- **Consolidated revenue** came in higher at Rs258bn (7.7% YoY / 21.6% QoQ)
- **EBITDA** at Rs116bn was up 11.9% QoQ / 30.7% YoY. EBITDA margin stood at 45.2% in Q2FY21 vs 43.5% in Q1FY21.
- Depreciation rose 2.7% QoQ and 7.0% YoY to Rs74bn and finance cost was up 21% QoQ to Rs36bn on inclusion of interest on AGR dues of Rs234bn.
- Share of profit from JV / associates should have been hurt from impairment in Ghana opco. The company has decided to divest Ghana opco.
- **Exceptional charges** of Rs493mn pertain to cost related to employee restructuring in one of the group's subsidiaries.
- Net loss was Rs7.6bn.
- Net debt rose Rs215bn to Rs1,074bn in Q2FY21 on inclusion of AGR dues. Adjusted for AGR dues, net debt would have reduced by Rs20bn.

**Table 1: Q2FY21 result review (consolidated)**

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>211,990</b>	<b>220,216</b>	<b>238,221</b>	<b>239,387</b>	<b>257,850</b>	<b>7.7</b>	<b>21.6</b>
<b>EBITDA</b>	<b>89,049</b>	<b>93,203</b>	<b>102,646</b>	<b>104,079</b>	<b>116,420</b>	<b>11.9</b>	<b>30.7</b>
<i>EBITDA margin (%)</i>	<i>42.0</i>	<i>42.3</i>	<i>43.1</i>	<i>43.5</i>	<i>45.2</i>		
Depreciation & amortisation	69,351	69,408	70,550	72,268	74,211	2.7	7.0
<b>EBIT</b>	<b>19,698</b>	<b>23,795</b>	<b>32,096</b>	<b>31,811</b>	<b>42,209</b>	<b>32.7</b>	<b>114.3</b>
Interest	29,083	29,846	33,076	29,757	36,115	21.4	24.2
Share of profits(losses) in JV	3,155	1,523	915	1,666	(423)	(125.4)	(113.4)
<b>PBT</b>	<b>(6,230)</b>	<b>(4,528)</b>	<b>(65)</b>	<b>3,720</b>	<b>5,671</b>	<b>52.4</b>	<b>(191.0)</b>
Exceptional item (as reported)	(307,110)	(10,500)	(70,040)	(117,457)	(493)		
Provision for tax	(85,039)	(10,379)	(20,335)	38,175	5,517	(85.5)	(106.5)
Minority interest	2,148	5,704	2,600	7,419	7,293	(1.7)	239.5
<b>PAT (reported)</b>	<b>(230,449)</b>	<b>(10,353)</b>	<b>(52,370)</b>	<b>(159,331)</b>	<b>(7,632)</b>	<b>(95.2)</b>	<b>(96.7)</b>
<b>PAT (adjusted)</b>	<b>76,661</b>	<b>147</b>	<b>17,670</b>	<b>(41,874)</b>	<b>(7,139)</b>	<b>(83.0)</b>	<b>(109.3)</b>

Source: Company data, I-Sec research

**Table 2: Bharti India – EBITDA rose 10.3% QoQ / 35.7% YoY**

(Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>154,507</b>	<b>158,770</b>	<b>174,383</b>	<b>177,229</b>	<b>188,677</b>	<b>6.5</b>	<b>22.1</b>
Access charges	21,904	22,067	23,087	23,157	23,996	3.6	9.6
% of revenue	14.2	13.9	13.2	13.1	12.7		
Licence fees & spect charges	13,251	14,368	16,352	16,265	17,887	10.0	35.0
% of revenue	8.6	9.0	9.4	9.2	9.5		
Network operations costs	38,627	37,710	40,627	39,181	41,870	6.9	8.4
% of revenue	25.0	23.8	23.3	22.1	22.2		
Employee costs	5,594	5,416	5,961	6,727	5,857	(12.9)	4.7
% of revenue	3.6	3.4	3.4	3.8	3.1		
Selling, general & other exp	11,832	14,090	15,063	14,028	13,151	(6.3)	11.1
% of revenue	7.7	8.9	8.6	7.9	7.0		
<b>EBITDA</b>	<b>63,298</b>	<b>65,119</b>	<b>74,622</b>	<b>77,870</b>	<b>85,916</b>	<b>10.3</b>	<b>35.7</b>
EBITDA Margin (%)	41.0	41.0	42.8	43.9	45.5		
Depreciation	58,317	58,135	59,247	59,667	61,444	3.0	5.4
Interest	25,207	20,604	32,105	19,643	27,473	39.9	9.0
Share of profit from JV	3,155	1,523	915	1,666	(423)	(125.4)	(113.4)
Tax	(6,914)	(6,031)	(5,052)	(2,886)	(190)		
<b>Net income</b>	<b>(14,041)</b>	<b>(8,799)</b>	<b>(12,602)</b>	<b>(1,118)</b>	<b>(6,825)</b>		
NPM (%)	(9.1)	(5.5)	(7.2)	(0.6)	(3.6)		
<b>EPS (Rs)</b>	<b>(3.5)</b>	<b>(2.2)</b>	<b>(3.2)</b>	<b>(0.3)</b>	<b>(1.7)</b>		

Source: Company data, I-Sec research

**Table 3: Bharti segmental performance – India mobile services EBITDA grew 12.8% QoQ / 47.6% YoY**

(Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Mobile Services India</b>							
Revenue	109,814	111,653	129,529	128,771	138,319	7.4	26.0
EBITDA	39,913	40,109	50,796	52,227	58,919	12.8	47.6
EBITDA margin (%)	36.3	35.9	39.2	40.6	42.6		
<b>Home Services</b>				1,342,633	2,04		
Revenue	5,475	5,546	5,725	5,786	5,873	1.5	7.3
EBITDA	2,471	3,302	3,012	3,514	3,424	(2.5)	38.6
EBITDA margin (%)	45.1	59.5	52.6	60.7	58.3		
<b>Digital TV Services</b>							
Revenue	7,893	7,922	6,035	7,448	7,548	1.3	(4.4)
EBITDA	5,607	5,441	3,648	5,041	5,351	6.1	(4.6)
EBITDA margin (%)	71.0	68.7	60.5	67.7	70.9		
<b>Airtel Business (Enterprise)</b>							
Revenue	33,312	33,176	33,762	35,019	35,821	2.3	7.5
EBITDA	9,396	12,125	13,466	12,711	13,377	5.2	42.4
EBITDA margin (%)	28.2	36.5	39.9	36.3	37.3		
<b>Tower Infrastructure services</b>							
Revenue	16,674	16,662	16,826	16,421	17,663	7.6	5.9
EBITDA	9,268	8,782	9,032	8,742	9,293	6.3	0.3
EBITDA margin (%)	55.6	52.7	53.7	53.2	52.6		

Source: Company data, I-Sec research

**Table 4: India mobile services – ARPU improved 3.4% QoQ**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
Subscribers (mn)	279	283	284	280	294	5.0	5.1
Prepaid subs (% of total subs)	94.9	94.9	94.8	94.8	94.8		
Blended churn rate (%)	2.1	2.6	2.6	2.2	1.7		
<b>ARPU (Rs)</b>	<b>128</b>	<b>135</b>	<b>154</b>	<b>157</b>	<b>162</b>	<b>3.4</b>	<b>26.7</b>
MoU (mins)	848	898	965	994	1,005	1.1	18.4
Minutes on Network (mn)	716,642	758,897	821,900	820,246	860,854	5.0	20.1
Incremental mins (QoQ, mn)	(20,467)	42,255	63,003	(1,654)	40,608		
Revenue per minute (Rs)	0.153	0.151	0.164	0.157	0.165	4.9	7.4
2G cell sites	185,582	189,857	194,409	196,145	201,192	2.6	8.4

Source: Company data, I-Sec research

**Table 5: Data service KPIs (India) – 4G subscriber base rose 14.4mn**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
Data Customer Base (mn)	124.2	138.4	148.6	149.1	162.2	8.8	30.5
<i>Net adds (mn)</i>	4.2	14.2	10.1	0.5	13.1		
<i>As % of customer base</i>	44.5	48.9	52.4	53.3	55.2		
Total MBs on the network (mn)	4,828,577	5,547,223	6,452,825	7,239,836	7,639,997	5.5	58.2
Data Usage/ customer (MB)	13,116	13,928	14,972	16,655	16,409	(1.5)	25.1
3G/4G subs (m)	103.1	123.8	136.3	138.3	152.7	10.4	48.1
<i>Net adds (m)</i>	7.9	20.7	12.5	2.0	14.4		
<i>As % of customer base</i>	36.9	43.7	48.1	49.4	52.0		
3G/4G cell sites	461,891	473,859	503,883	506,957	537,206	6.0	16.3
<i>Net add (3G/4G cell sites)</i>	18,087	11,968	30,024	3,074	30,249		

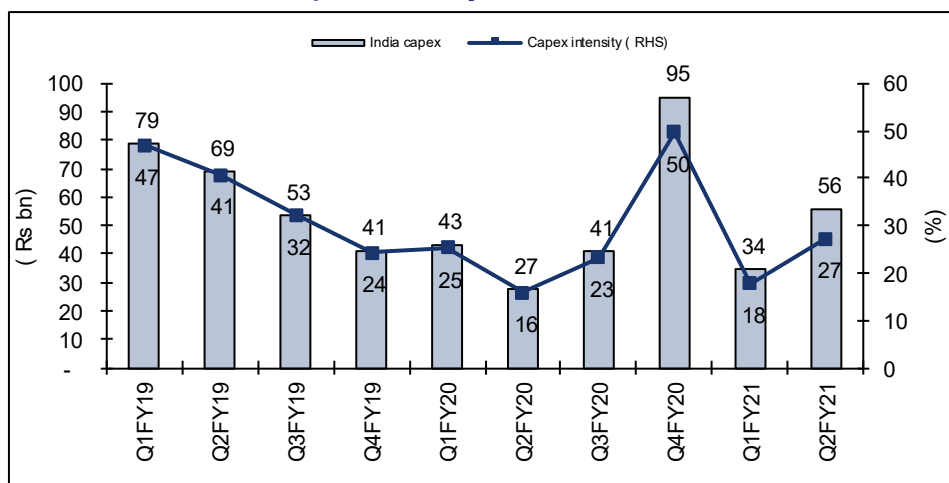
Source: Company data, I-Sec research

**Table 6: Other service KPIs – home services subs rose 5.3% QoQ**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Home services</b>							
Subscribers ('000)	2,350	2,352	2,414	2,449	2,578	5.3	9.7
ARPU (Rs)	777	787	803	802	783	(2.4)	0.8
<b>DTH services</b>							
Subscribers ('000)	16,207	16,308	16,613	16,838	17,387	3.3	7.3
ARPU (Rs)	162	162	123	149	148	(0.7)	(9.1)
Churn (%)	1.6	1.8	1.0	1.3	1.5		

Source: Company data, I-Sec research

**Chart 1: Bharti India capex intensity at 27% in Q2FY21**



Source: Company data, I-Sec research

**Table 7: Bharti Africa – revenue rose 13.4% QoQ**

US\$ mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>844</b>	<b>883</b>	<b>899</b>	<b>851</b>	<b>965</b>	<b>13.4</b>	<b>14.3</b>
Access charges	94	98	94	84	93	10.7	(1.1)
<i>% of revenue</i>	<i>11.1</i>	<i>11.1</i>	<i>10.5</i>	<i>9.9</i>	<i>9.6</i>		
Licence fees & spect charges	48	44	51	48	47	(2.1)	(2.1)
<i>% of revenue</i>	<i>5.7</i>	<i>5.0</i>	<i>5.7</i>	<i>5.6</i>	<i>4.9</i>		
Network operations costs	156	162	168	156	174	11.5	11.5
<i>% of revenue</i>	<i>18.5</i>	<i>18.3</i>	<i>18.7</i>	<i>18.3</i>	<i>18.0</i>		
Employee costs	61	61	62	65	77	18.5	26.2
<i>% of revenue</i>	<i>7.2</i>	<i>6.9</i>	<i>6.9</i>	<i>7.6</i>	<i>8.0</i>		
Selling, general & other exp	113	124	131	130	150	15.4	32.7
<i>% of revenue</i>	<i>13.4</i>	<i>14.0</i>	<i>14.6</i>	<i>15.3</i>	<i>15.5</i>		
<b>EBITDA</b>	<b>372</b>	<b>394</b>	<b>393</b>	<b>368</b>	<b>424</b>	<b>15.2</b>	<b>14.0</b>
<i>EBITDA Margin (%)</i>	<i>44.1</i>	<i>44.6</i>	<i>43.7</i>	<i>43.2</i>	<i>43.9</i>		
Depreciation	153	163	152	161	167	3.7	9.2
Interest	66	72	144	96	87		
Tax	68	83	20	54	82	51.9	20.6
<b>Net income/(loss)</b>	<b>43</b>	<b>90</b>	<b>58</b>	<b>49</b>	<b>70</b>	<b>42.9</b>	<b>61.1</b>

Source: Company data, I-Sec research

**Table 8: Bharti Africa – Subs base rose 12% YoY**

US\$ mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
Subscribers (mn)	104	107	111	111	116	4.4	12.0
Blended churn rate (%)	4.5	5.2	5.3	5.7	5.3		
ARPU (US\$)	2.8	2.8	2.8	2.6	2.8	8.8	0.6
Minutes on Network (mn)	60,795	65,086	68,870	71,891	80,375	11.8	32.2
RPM (US cent)	1.4	1.4	1.3	1.2	1.3	4.8	(8.7)
Data Customer Base (mn)	30	32	33	35	37	4.3	23.2
<i>As % of customer base</i>	<i>30.1</i>	<i>30.7</i>	<i>30.7</i>	<i>32.0</i>	<i>33.2</i>		
Total MBs on the network (mn)	139,303	162,394	189,798	219,015	279,541	27.6	100.7
Data Usage/ customer (MB)	1,550	1,748	1,967	2,145	2,607	21.5	68.2

Source: Company data, I-Sec research

**Table 9: Mobile services revenue – South Asia**

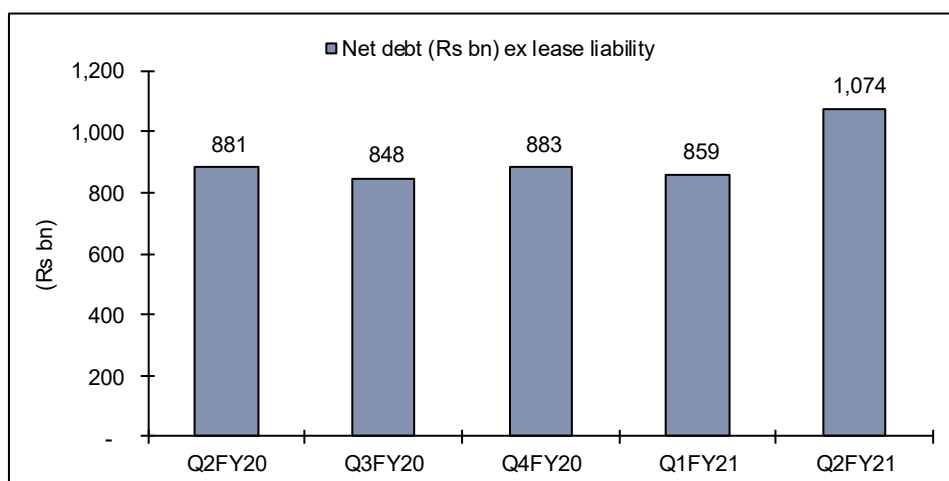
US\$ mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>14</b>	<b>15</b>	<b>4.7</b>	<b>(3.3)</b>
Access charges	2	2	2	2	2	(3.0)	(12.4)
Licence fees & spectrum charges	2	2	2	2	2	2.5	4.8
Network operations costs	5	5	5	5	5	(4.6)	(4.3)
Employee costs	1	1	1	1	1	12.1	(3.0)
Selling, general & other expenses	4	4	4	3	3	17.6	(12.7)
<b>EBITDA</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>na</b>	<b>na</b>
<i>EBITDA Margin (%)</i>	<i>7.6</i>	<i>9.1</i>	<i>12.2</i>	<i>9.0</i>	<i>10.3</i>		
Depreciation	5	6	5	5	5	(4.0)	(6.0)
Interest	3	2	4	1	1	18.4	(53.2)
<b>Reported PAT</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>	<b>(5)</b>	<b>(5)</b>	<b>(5.0)</b>	<b>(33.5)</b>

Source: Company data, I-Sec research

**Table 10: Bharti consolidated cashflow**

(Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Operating cashflow	82,346	88,003	97,069	96,711	115,062
Less: Lease cost	6,372	16,243	13,266	13,868	11,389
Interest expenses	14,643	21,549	30,530	21,335	(98)
<b>Operating cashflow</b>	<b>61,331</b>	<b>50,210</b>	<b>53,273</b>	<b>61,508</b>	<b>103,772</b>
Less Capex (incl spectrum)	43,119	58,498	60,255	55,103	55,745
<b>FCF</b>	<b>18,212</b>	<b>(8,288)</b>	<b>(6,982)</b>	<b>6,405</b>	<b>48,027</b>
Change in working capital	(17,279)	23,643	(176,550)	19,528	(14,684)
<b>Cashflow available for debt payment</b>	<b>933</b>	<b>15,355</b>	<b>(183,531)</b>	<b>25,934</b>	<b>33,343</b>

Source: Company data, I-Sec research

**Chart 2: Net debt reduced rose Rs215bn in Q2FY21 on inclusion of AGR dues of Rs234bn**

Source: Company data, I-Sec research

**Table 11: Bharti Airtel: SoTP-based valuation**

Rs mn	FY22E
<b>India business (ex Tower)</b>	
EBITDA (adj Ind-AS 116)	367,266
Multiple (x)	11.0
<b>EV</b>	<b>4,039,924</b>
Less net debt	703,808
<b>Equity value...(a)</b>	<b>3,336,117</b>
<b>Tower business (DCF from Infratel model)</b>	
Infratel	358,315
Indus Towers (42%)	263,311
<b>Equity value</b>	<b>621,626</b>
Stake (%)	54
<b>Attributable Equity value...(b)</b>	<b>332,570</b>
<b>Airtel Africa</b>	
EBITDA (adj Ind-AS 116)	96,544
Multiple (x)	4.0
<b>EV</b>	<b>386,177</b>
Less net debt	115,180
<b>Equity value</b>	<b>270,997</b>
Stake (%)	53
<b>Bharti attributable Equity value...(c)</b>	<b>144,170</b>
<b>Bharti Airtel Equity value</b>	<b>3,812,857</b>
Outstanding shares (mn)	5,456
<b>Equity value per share (Rs)</b>	<b>699</b>
Less: AGR dues	44
<b>Equity value per share (Rs)</b>	<b>655</b>

Source: I-Sec research

## Financial summary

Table 12: Profit &amp; loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
<b>Operating Income (Sales)</b>	<b>807,802</b>	<b>875,390</b>	<b>1,019,263</b>	<b>1,155,072</b>
<b>Operating Expenses</b>	<b>549,613</b>	<b>509,295</b>	<b>552,260</b>	<b>568,954</b>
<b>EBITDA</b>	<b>258,189</b>	<b>366,095</b>	<b>467,003</b>	<b>586,118</b>
% margins	32.0	41.8	45.8	50.7
Depreciation & Amortisation	213,475	276,896	281,228	281,508
Net Interest	110,134	139,918	115,692	108,048
Other Income	15,258	18,074	-	-
<b>Recurring PBT</b>	<b>(46,606)</b>	<b>(26,121)</b>	<b>76,890</b>	<b>204,597</b>
Add: Extraordinaries	29,288	-	-	-
Less: Taxes	(34,193)	(121,823)	19,971	52,770
- Current tax	(34,193)	(121,823)	19,971	52,770
- Deferred tax				
Less: Minority Interest	4,095	15,190	13,670	16,860
<b>Net Income (Reported)</b>	<b>12,780</b>	<b>(321,832)</b>	<b>43,249</b>	<b>134,966</b>
<b>Recurring Net Income</b>	<b>(6,550)</b>	<b>(56,285)</b>	<b>43,249</b>	<b>134,966</b>

Source: Company data, I-Sec research

Table 13: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
<b>Assets</b>				
Total Current Assets	400,829	747,488	723,568	730,470
of which cash & cash eqv.	81,055	158,927	215,445	210,088
Total Current Liabilities & Provisions	636,915	1,087,338	1,000,868	983,139
<b>Net Current Assets</b>	<b>(236,086)</b>	<b>(339,850)</b>	<b>(277,299)</b>	<b>(252,669)</b>
<b>Investments</b>	<b>157,110</b>	<b>254,765</b>	<b>117,086</b>	<b>117,086</b>
of which				
Strategic/Group	88,937	96,808	96,808	96,808
Other Marketable	68,173	157,957	20,278	20,278
<b>Net Fixed Assets</b>	<b>1,772,095</b>	<b>1,989,186</b>	<b>2,004,599</b>	<b>1,997,836</b>
<b>Goodwill</b>	<b>332,562</b>	<b>346,192</b>	<b>346,192</b>	<b>346,192</b>
<b>Total Assets</b>	<b>2,025,681</b>	<b>2,250,293</b>	<b>2,190,577</b>	<b>2,208,445</b>
<b>Liabilities</b>				
Borrowings	1,254,283	1,482,281	1,382,281	1,282,281
Deferred tax liability	(78,082)	(253,283)	(245,337)	(208,449)
Minority Interest	135,258	249,847	249,847	249,847
Equity Share Capital	19,987	27,278	27,278	27,278
Face Value per share(Rs)	5.0	5.0	5.0	5.0
Reserves & Surplus	694,235	744,170	776,508	857,488
<b>Net Worth</b>	<b>714,222</b>	<b>771,448</b>	<b>803,786</b>	<b>884,766</b>
<b>Total Liabilities</b>	<b>2,025,681</b>	<b>2,250,293</b>	<b>2,190,577</b>	<b>2,208,445</b>

Source: Company data, I-Sec research

Table 14: Quarterly trend

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net sales	220,216	238,221	239,387	257,850
% growth (YoY)	7.0	15.3	15.0	21.6
EBITDA	93,203	102,646	104,079	116,420
Margin (%)	42.3	43.1	43.5	45.2
Other income	2,629	4,245	4,371	1,673
Add: Extraordinaries	(10,500)	(70,040)	(117,457)	(493)
<b>Net profit</b>	<b>(10,353)</b>	<b>(52,370)</b>	<b>(159,331)</b>	<b>(7,632)</b>

Source: Company data

Table 15: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
<b>Operating Cashflow</b>	<b>256,076</b>	<b>347,251</b>	<b>448,116</b>	<b>561,410</b>
Working Capital				
Changes	(58,196)	(165,964)	(6,033)	(29,988)
Capital Commitments	(311,638)	(223,937)	(247,142)	(223,936)
<b>Free Cashflow</b>	<b>(113,758)</b>	<b>(42,650)</b>	<b>194,941</b>	<b>307,486</b>
<b>Cashflow from</b>				
<b>Investing Activities</b>	<b>26,629</b>	<b>(80,982)</b>	<b>137,679</b>	-
Issue of Share Capital	10	391,322	-	-
Buyback of shares	(248)	141,826	-	-
Inc (Dec) in				
Borrowings	(350,436)	(556,953)	(100,000)	(100,000)
Dividend paid	(46,617)	(18,263)	(10,911)	(53,987)
<b>Extraordinary Items</b>	<b>491,929</b>	<b>233,512</b>	<b>(165,191)</b>	<b>(158,856)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>7,509</b>	<b>67,812</b>	<b>56,518</b>	<b>(5,357)</b>

Source: Company data, I-Sec research

Table 16: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
<b>Per Share Data (in Rs.)</b>				
Recurring EPS	3.2	(59.0)	7.9	24.7
Reported EPS	(1.6)	(10.3)	7.9	24.7
Recurring Cash EPS	51.8	31.7	50.4	67.0
Dividend per share (DPS)	2.5	1.9	2.0	9.9
Book Value per share (BV)	178.7	141.4	147.3	162.2
<b>Growth Ratios (%)</b>				
Operating Income	(3.5)	8.4	16.4	13.3
EBITDA	(14.2)	41.8	27.6	25.5
Recurring Net Income	(140.4)	759.3	(176.8)	212.1
		(1,945.5)		
Diluted Recurring EPS	(32.5)	2)	(113.4)	212.1
Diluted Recurring CEPS	(2.1)	(38.8)	59.1	33.0
<b>Valuation Ratios (% YoY)</b>				
P/E	135.4	(7.3)	54.6	17.5
P/CEPS	8.4	13.7	8.6	6.5
P/BV	2.4	3.1	2.9	2.7
EV / EBITDA (incl Indus)	12.4	9.2	7.0	5.5
EV / Operating Income	4.4	4.2	3.5	3.0
EV / Operating FCF	(31.1)	(86.4)	18.1	11.2

**Operating Ratios**

Other Income / PBT (%)	(32.7)	(69.2)	-	-
Effective Tax Rate (%)	73.4	466.4	26.0	25.8
NWC / Total Assets (%)	(11.7)	(15.1)	(12.7)	(11.4)
Inventory Turnover (days)	-	-	-	-
Receivables (days)	19.4	19.2	18.5	17.7
Payables (days)	181.0	174.5	145.3	123.4
Net Debt/EBITDA Ratio (x)	4.3	2.3	1.8	1.3
Capex % of sales	37.9	25.4	24.2	19.4

**Profitability Ratios (%)**

Rec. Net Income Margins	(0.8)	(6.4)	4.2	11.7
RoCE	2.4	4.6	9.7	16.3
RoIC	2.6	5.2	11.3	18.6
RoNW	1.8	(43.3)	5.5	16.0
Dividend Yield	0.6	0.4	0.5	2.3
EBITDA Margins	32.0	41.8	45.8	50.7

Source: Company data, I-Sec research



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