

### BHARTI AIRTEL LTD

Feb-21

Industry: Telecom

Target Rs: 680

Recommendation: Accumulate

Accumulate Range: 540-550

#### Key Data

Date	23.2.21
BSE Code	532454
NSE Code	BHARTIARTL
52 Week High (Rs)	623
52 Week Low (Rs)	381
Market Cap (Rs Cr)	317104
Face Value	5
Cmp Rs	570

#### Q3FY21 Result Update:

##### Improved realizations as well as strong customer addition:

Mobile revenues grew by 32.4% YoY on account of increasing customers. It continues to garner a strong share of the 4G net ads in the market. Airtel's 4G data customers increased by 33.8% YoY to 165.6 Mn compared to the previous year. It was able to add 42 Mn 4G customers to its network over last 4 quarters. ARPU continues to be the best in industry - average data usage per data customer at 16.4 GBs/month; while voice usage was at 1,027 mins/customer/month. ARPU for the quarter came in at Rs 166 as compared to Rs 135 in Q3 FY20 showing a jump of 23%. This could mainly happened on account of their focus on acquiring quality customers as well as secular upgrading of customers to data.

##### Strong traction seen across all segments:

Homes business segment witnessed a revenue growth of (2.3%) YoY, Digital TV/ services (5.8%) YoY, Airtel business by (9%) YoY. The launch of Xstream bundles with content and unlimited internet helped them to penetrate home business & reach to a total base of 2.79 Mn customers. Airtel continued to scale up the LCO partnership model to expand its footprint in non-wired cities, extending the model to over 120 cities. The Digital services offerings of Airtel continue to see robust growth. MAUs increased to over 190 Mn across their key digital assets – Thanks, Wynk, Xstream. Online recharges continue to contribute around 50% of overall revenues. Going ahead it continues to expand and grow adjacent verticals such as Data centres, Cloud, Cyber security, Customer relationship management platforms, video-conferencing amongst others to accelerate its momentum.

##### Healthy financial performance:

Airtel's revenue for Q3'21 at Rs 26,518 Cr grew 24.2% YoY supported by both India(25%) & Africa (23%) business. EBITDA witnessed an increase of 38.2% YoY to Rs 12,178 Cr in Q3 FY21. This led to an improvement in EBITDA margin from 41.3% in Q3 FY20 to 45.9% in Q3 FY21. Incremental EBITDA margins across businesses remained healthy, with mobile services EBITDA improving from 35.9% in Q3 FY20 to 43.7% in Q3 FY21. Capex spend for the quarter came at Rs 6,864 Cr. Net Debt/Equity ratio stood at 3.03x compared to 3.40x. Excluding pending AGR dues, the Net Debt-EBITDA ratio is at 2.52x as on December 31, 2020.

#### Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

#### Shareholding Dec 2021

Promoters	56.23%
Public	43.71%

#### Promoters/ Management

Mr. Sunil Mittal	Chairman/MD
Mr. Badal Bagri	CFO
Mr. Gopal Vittal	CEO
Mr. Rakesh Mittal	Director
Mr. V K Viswanathan	Director

#### Key Ratios

P/E	-
P/Bv	3.82
D/E	3.03x

#### Price Chart



#### Mview:

We continue to like Bharti Airtel's business performance for consistently delivering stronger growth numbers above our expectations. With the recent addition in subscriber base, it has become the top telco by market share in terms of active subscribers, edging out Reliance Jio. We are optimistic on Bharti Airtel's future earnings growth as the company's ARPU is increasing at a decent pace in the last few months and expect this to reach Rs 200 from Rs 166. We expect high competition for acquiring 4G users is heating up as mobile operators try to add and upgrade more user's smart users from the 300 million 2G users in the market and Airtel is leading the competition. The next big trigger we see that Airtel is also gearing up to bring 5G to the Indian audience which would re-rate industry dynamics as and when Govt auctions 5G airwaves. At current levels, we see stocks is available at a decent valuations with a healthy margin of safety on downside and hence we advise investors use the current dips to accumulate stock for the long term.

#### About the Company:

Bharti Airtel Ltd (Airtel) is a global telecommunications company. It is India's largest integrated telecom provider and the second largest mobile operator in Africa. Airtel's portfolio includes high speed 4G/4.5G mobile broadband, Airtel Xstream Fiber that promises speeds upto 1Gbps, converged digital TV solutions through the Airtel Xstream 4K Hybrid Box, digital payments through Airtel Payments Bank as well as an integrated suite of services across connectivity, collaboration, cloud and security that serves over one million businesses. It has operations in 18 countries across South Asia and Africa. At the end of December 2020, Airtel had approx. 458 Mn customers across its operations.

#### Research Team

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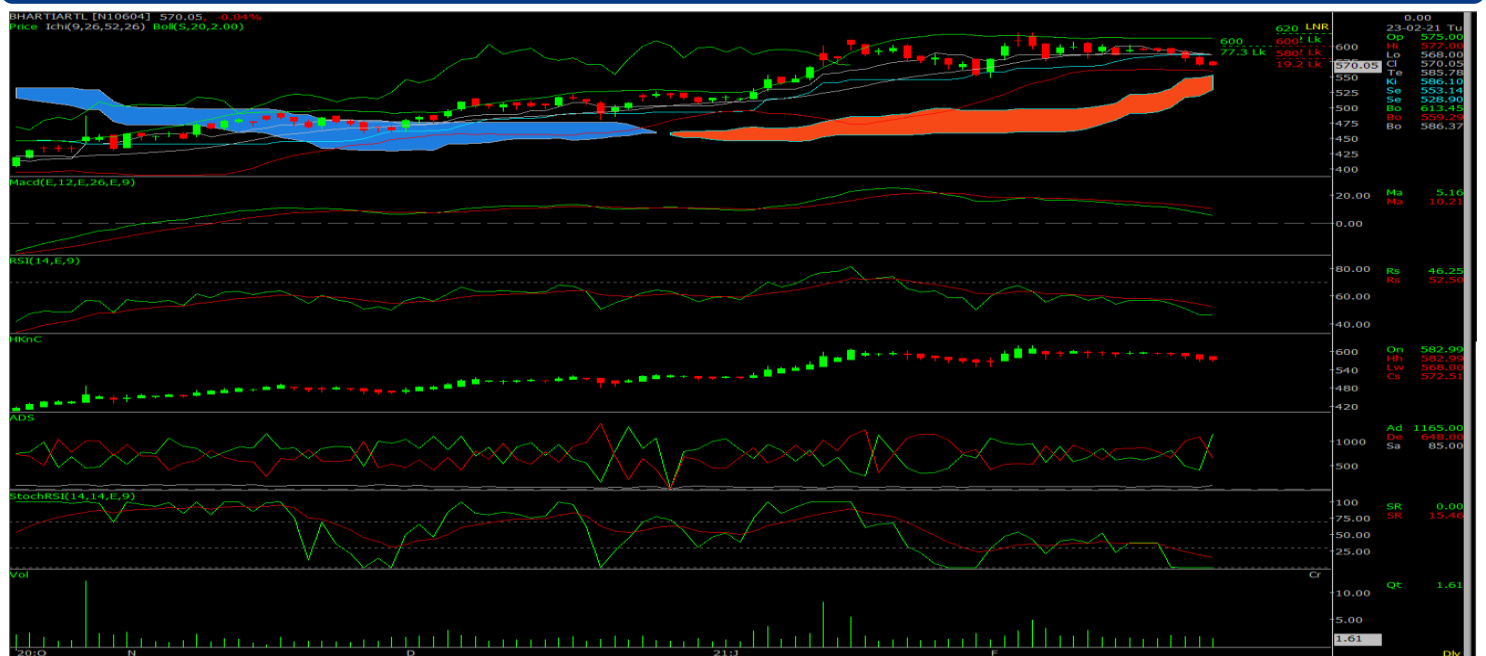
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### QUARTERLY FINANCIAL OVERVIEW

#### Profit & Loss Statement (Rs Cr)

Particulars	Q3FY21	Q3FY20	YoY	Q2FY20	QoQ	9MFY21	9MFY20	YoY
Revenue from operations	26518	21344	24.24%	25060	6%	74869	61658	21%
<b>Expenses</b>								
Network operating exp	5548	4985	11%	5420	2%	16064	14479	11%
Access charges	3063	2711	13%	2923	-100%	8787	7912	11%
License fee	2295	1788	28%	2235	3%	6607	5325	24%
Employee benefit exp	1026	891	15%	1017	-100%	3116	2562	22%
Sales exp	1052	898	17%	872	21%	2652	2490	7%
Other exp	1480	1355	9%	1523	-100%	4602	4252	8%
<b>Total expenses</b>	<b>14464</b>	<b>12628</b>	<b>15%</b>	<b>13990</b>	<b>3%</b>	<b>41828</b>	<b>37020</b>	<b>13%</b>
<b>EBITDA</b>	<b>12054</b>	<b>8716</b>	<b>38%</b>	<b>11070</b>	<b>9%</b>	<b>33041</b>	<b>24638</b>	<b>34%</b>
<b>EBITDA %</b>	<b>45.46%</b>	<b>40.84%</b>		<b>44.17%</b>		<b>44.13%</b>	<b>39.96%</b>	
depreciation	7503	6818	10%	7286	3%	21902	20233	8%
other income	49	306	-84%	103	-52%	559	716	-22%
finance cost	3972	3289	21%	3791	5%	11230	9926	13%
Share of loss	220	201	9%	293	-25%	620	538	15%
Exceptional items	4560	1050		49		16355	33230	
<b>PBT</b>	<b>-4152</b>	<b>-2336</b>		<b>-246</b>		<b>-16507</b>	<b>-38573</b>	
tax	4306	-1164		414		8422	-10361	
<b>PAT</b>	<b>-8458</b>	<b>-1172</b>		<b>-660</b>		<b>-24929</b>	<b>-28212</b>	
<b>PAT %</b>	<b>-</b>	<b>-</b>		<b>-</b>		<b>-</b>	<b>-</b>	

### TECHNICAL TREND





# MSEARCH

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## **Msearch's Recommendation (Absolute Performance)**

**Buy : > 20% within the next 12 Months**

**Accumulate : 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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