



Broad-based Growth; Market Share Gain Continues

Est. Vs. Actual for Q4FY23: Revenue – **MISS**; EBITDA Margin – **BEAT**; PAT – **BEAT**

Changes In Estimates post Q4FY23

FY24E/FY25E: Revenue: 1%/1%; EBITDA: 1%/1%; PAT: 2%/2%

Recommendation Rationale

- The company's digital portfolio is gaining momentum along with market share gains
- The company continued a strong share of 4G net ads in the market with the 4G customer base growing by 7.4 Mn QoQ and 23.3 Mn YoY. (This forms 67% of the overall customer base now).
- ARPU continues to be the best in the industry and average data usage per data customer at 20.3GBs/month.
- The management is confident of gaining longer-term demand momentum on the backdrop of the strong digital services portfolio, better rural conversion to 4G, and better cash flow management.

Sector Outlook: Positive

Company Outlook & Guidance: The management is confident about gaining industry-leading growth backed by strong rural penetration and a better service portfolio.

Current Valuation: SOTP based

Current TP: 960/share (Earlier TP: Rs 960/share)

Recommendation: Given the company's strong recovery potential backed by strong deal wins and improved client engagement, we **maintain** our **BUY** recommendation on the stock.

Financial Performance

In Q4FY23, Bharti Airtel Ltd (Bharti) reported revenue of Rs 36,009 Cr, up 0.6% QoQ and 14.3% YoY, which stood below our expectations. The company posted an operating profit of Rs 18,807 Cr with operating margins growing by 125bps, largely led by larger 4G conversions and a better service mix. Its net profit for Q4FY23 stood at Rs 2,592 Cr, registering a healthy growth of 39.3% YoY.

Outlook

From a long-term perspective, we believe that backed by the highest penetrations, Bharti Airtel would continue to gain market share with minimum Capex requirement. With a stronger digital portfolio backed by rising per-user data, we are positive about the future growth of Airtel.

Valuation & Recommendation

We **maintain** our BUY rating on the stock given the company's superior margins, stronger subscriber growth, and higher 4G conversions. We value the stock at Rs 960/share based on SOTP valuation and the TP indicates a robust upside of 21% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY23	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,198	-3%	9%	1253	-4%
EBITDA	135	27%	-15%	112	21%
EBITDA Margin	11%	230 bps	(300) bps	9%	21%
Net Profit	104	15%	75%	54	93%
EPS (Rs)	2.6	15%	75%	2.5	4%

Source: Company, Axis Research

(CMP as of 17 May 2023)

CMP (Rs)	792
Upside /Downside (%)	21%
High/Low (Rs)	877/629
Market cap (Cr)	4,41,746
Avg. daily vol. (6m)Shrs.	5,94,320
No. of shares (Cr)	5.56

Shareholding (%)

	Sep-22	Dec-22	Mar-23
Promoter	55.1	55.1	55.0
FIIIs	21.9	21.7	21.0
MFs / UTI	10.7	10.9	11.4
Banks / FIs	0.1	0.0	0.1
Others	12.2	12.3	12.6

Financial & Valuations

Y/E Mar (Rs Cr)	FY22	FY23E	FY24E
Net Sales	1,16,547	1,39,145	1,60,408
EBITDA	57,534	71,274	89,661
Net Profit	6,607	15,356	23,577
EPS (Rs)	11.8	27.5	42.2
PER (x)	59.6	25.6	16.7
P/BV (x)	9.1	8.1	6.5
EV/EBITDA (x)	4.6	3.9	3.2
ROE (%)	7.8	15.3	19.0

Change in Estimates (%)

Y/E Mar	FY23E	FY24E
Sales	1%	1%
EBITDA	2%	1%
PAT	2%	2%

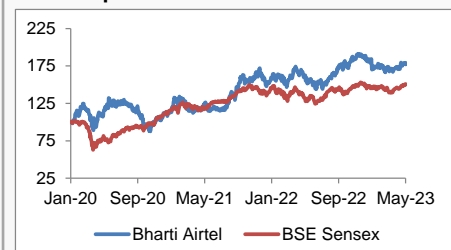
ESG disclosure Score**

Environmental Disclosure	44
Social Disclosure Score	60
Governance Disclosure	59
Total ESG Disclosure Score	51

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Key Highlights

- **Capex:** The management is expecting similar Capex levels to continue. It will also spend on broadband, enterprise, and datacentre. 4G-related radio Capex is likely to decline.
- **ARPU:** Bharti Airtel has the leading ARPU in the industry. The management expects ARPU to improve from the current level of 193 due to a richer customer mix. Aided by strong customer conversion from 2G to 4G and other services, it continues with an ARPU trajectory of Rs 200 and ultimately Rs 300 going ahead.
- **Huge revenue and profit growth potential:** The company's business fundamentals remain strong and continue to improve. The management foresees the huge potential for continued strong revenue and profit growth, supported by expanding distribution in rural areas, investments in the network, and increasing 4G coverage. Furthermore, strategic investment opportunities are available in tower sales, minority, and IPO investments in mobile money, among others.
- **Improvement in the Home Segment:** The management sees improvement in the Home Segment with multiple solutions in one go. It has a strong strategy of Hunting (offering different solutions to existing customers (mainly 50 Mn customers having strong financial conditions) and mining new customers.
- **Cost optimization initiatives:** The company has identified more than 2500 sights for reducing the network cost which will help to reduce the operating cost.

Key Risks to our Estimates and TP

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

India

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	20,913	22,500	23,319	24,393	24,962	25,250
Net revenue	17,275	18,562	23,319	20,298	21,043	21,312
EBITDA	10,407	11,436	19,173	12,592	13,167	13,403
<i>EBITDA / Total revenues</i>	<i>49.8%</i>	<i>50.8%</i>	<i>51.0%</i>	<i>51.6%</i>	<i>52.7%</i>	<i>53.1%</i>
EBIT	3,320	4,219	4,577	5,191	5,637	5,826
Profit before Tax	737	1,504	1,295	1,632	2,171	3,181
Income tax expense	98	386	188	409	408	740
Profit after Tax (before exceptional items)	640	1,118	1,108	1,224	1,763	2,441
Non-Controlling Interest	121	164	177	194	215	234
Net income (before exceptional items)	519	954	930	1,029	1,547	2,207
Capex	4,654	4,277	5,288	5,697	8,095	8,989
Operating Free Cash Flow	5,753	7,159	6,594	6,895	5,072	4,413
Cumulative Investments	3,46,160	3,49,821	3,54,506	4,07,378	4,11,293	4,17,434

Source: Company, Axis Securities

India - Mobile Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	16,092	17,617	18,220	18,958	19,353	19,549
EBITDA	7,943	8,922	9,328	9,926	19,353	10,523
<i>EBITDA / Total revenues</i>	<i>49.4%</i>	<i>50.6%</i>	<i>51.2%</i>	<i>52.4%</i>	<i>53.8%</i>	<i>53.8%</i>
EBIT	1,900	2,874	3,133	3,670	4,031	4,081
Capex	2,973	2,618	3,695	3,911	6,379	6,647
Operating Free Cash Flow	4,970	6,304	5,634	6,015	4,033	3,876
Cumulative Investments	2,77,457	2,77,459	2,80,817	3,27,899	3,31,586	3,35,936

Source: Company, Axis Securities

India - Home Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	797	876	926	990	1,034	1,097
EBITDA	436	477	493	498	517	553
<i>EBITDA / Total revenues</i>	<i>54.7%</i>	<i>54.5%</i>	<i>53.2%</i>	<i>50.3%</i>	<i>50.0%</i>	<i>50.4%</i>
EBIT	164	193	177	220	228	268
Capex	406	497	660	589	497	428
Operating Free Cash Flow	30	-19	-168	-90	21	125
Cumulative Investments	11,168	11,381	12,084	12,661	13,663	13,899

Source: Company, Axis Securities

India - Digital Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	791	755	748	729	739	729
EBITDA	532	495	478	435	413	408
<i>EBITDA / Total revenues</i>	<i>67.2%</i>	<i>65.6%</i>	<i>63.9%</i>	<i>59.7%</i>	<i>55.9%</i>	<i>56.0%</i>
EBIT	210	137	142	78	92	65
Capex	437	314	247	305	453	354
Operating Free Cash Flow	95	181	231	130	-40	54
Cumulative Investments	12,084	12,149	12,392	12,696	13,150	12,927

Source: Company, Axis Securities

India - Airtel Business Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	4,106	4,180	4,366	4,665	4,778	4,785
EBITDA	1,582	1,645	1,701	1,829	1,905	1,968
<i>EBITDA / Total revenues</i>	<i>38.5%</i>	<i>39.4%</i>	<i>39.0%</i>	<i>39.2%</i>	<i>39.9%</i>	<i>41.1%</i>
EBIT	1,129	1,168	1,223	1,328	1,411	1,475
Capex	837	848	686	879	766	1,560
Operating Free Cash Flow	746	797	1,015	950	1,139	408
Cumulative Investments	22,808	23,462	24,245	25,155	28,001	29,137

Source: Company, Axis Securities

India - Mobile Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Customer Base	3,22,918	3,26,043	3,62,471	3,63,874	3,69,280	3,75,344
VLR	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Additions	(559)	3,126	1,264	490	4,446	3,169
Pre-Paid (as % of total Customer Base)	94.6%	94.5%	94.5%	0.0%	0.0%	0.0%
Monthly Churn	0	0	0	0	0	0
Average Revenue Per User (ARPU)	162.5	178.3	183.2	189.8	193.4	193.3
Revenue per site per month	2,32,010	2,46,442	2,47,085	2,48,848	2,46,976	2,40,112
Total Revenues	15,544	17,148	18,713	24,885	22,539	23,345
Mobile Services	1,57,569	1,73,520	1,89,221	2,06,763	2,12,738	2,15,904
Others	-2,133	-2,043	-2,095	42,085	12,649	17,547
	9,161	16,041	15,649	61,722	(23,461)	8,064
Voice						
Minutes on the network	10,29,802	10,51,116	10,78,961	10,63,011	12,02,641	11,24,343
Voice Average Revenue Per User (ARPU)						
Voice Usage per customer	1,061	1,083	1,088	1,082	1,094	1,122

Source: Company, Axis Securities

India - Homes Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Homes Customers	4,160	4,483	4,793	5,210	5,642	6,046
Net Additions	341	323	310	417	432	404
Average Revenue Per User (ARPU)	657	650	652	646	624	614
Average Revenue Per User (ARPU)	0	9	8	8	8	7
Revenue	786	843	907	969	1,015	1,595

Source: Company, Axis Securities

India - Digital Services

India	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Digital TV Customers	18,066	17,558	17,422	15,771	15,985	15,946
Net additions	79	(508)	(136)	66	214	(39)
Average Revenue Per User (ARPU)	146	142	143	155	154	153
Average Revenue Per User (ARPU)	2	2	2	2	2	2
Monthly Churn	0	0	0	0	0	0
Revenue	790	757	748	772	734	731

Source: Company, Axis Securities

SOTP Valuation

Segments	FY24E EBITDA (Rs Bn)	FY24E EBITDA/ Share (Rs)	Multiple (X)	Enterprise Value (Rs Bn)	Value Per Share (Rs)
India Wireless	410.3	79.9	10.9	4,488	874
Telemedia services	26.5	5.2	6.0	159	31
Enterprise	50.6	9.9	6.0	304	59
DTH	22.0	4.3	5.3	116	23
Wireless - Africa	179.8	35.0	7.6	720	140
Others*	(19.0)	(3.7)	4.6	(88)	(17)
Sub-total	670.2	130.6	8.0	5,699	1,110
Consol Equity				355	69
Enterprise Value				6,054	1,179
(-) Net Debt				1,433	279
Target Price (Rs)				4,622	960

Source: Company, Axis Securities

Result Update (Consolidated)
(Rs Cr)

	Q3 FY22	Q4 FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total revenues	29,867	31,500	32,805	34,527	35,804	36,009
Access charges	1,723	1,751	1,870	1,931	1,935	1,885
Net revenue	28,143	29,750	30,935	32,596	33,869	34,124
License fees	2,730	3,009	3,131	2,951	2,842	2,828
Network costs	6,499	6,546	6,683	7,130	7,328	7,402
Employee costs	1,134	1,164	1,124	1,209	1,235	1,263
Sales & Marketing	1,443	1,533	1,567	1,782	1,912	1,984
General & Administration	1,636	1,458	1,902	1,930	2,098	1,950
Total Opex	13,441	13,710	14,405	15,002	15,416	15,427
EBITDA	14,703	16,040	16,529	17,594	18,453	18,697
<i>EBITDA / Total revenues</i>	<i>49.2%</i>	<i>50.9%</i>	<i>50.4%</i>	<i>51.0%</i>	<i>51.5%</i>	<i>51.9%</i>
D&A	8,547	8,583	8,781	8,947	9,298	9,406
EBIT	6,156	7,458	7,748	8,647	9,156	9,291
Finance cost (net)	4,367	4,059	4,511	4,940	4,686	5,163
JV / Associates gain/(loss)	616	714	163	357	-368	601
Other income	197	19	192	202	258	285
Non-operating income / (expenses), (net)	0	0	0	0	0	0
Profit before Tax	2,602	4,131	3,592	4,265	4,359	5,014
Income tax expense	991	1,322	1,123	1,286	1,076	788
Exceptional Loss/(gain) (net of tax)	-40	-906	0	0	670	0
Profit after tax (after exceptional items)	1,651	3,715	2,469	2,979	2,614	4,226
Non-Controlling Interest	0	0	0	0	0	0
Net income	1,651	3,715	2,469	2,979	2,614	4,226
Capex	6,101	5,997	6,398	7,047	9,314	5,000
Operating Free Cash Flow	8,803	10,043	10,206	10,674	9,287	13,697

Source: Company, Axis Securities

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY21	FY22	FY23E	FY24E
Net sales	1,00,616	1,16,547	1,39,145	1,60,408
Growth, %	16	16	19	15
Total income	1,00,616	1,16,547	1,39,145	1,60,408
Raw material expenses	-10,352	-6,761	-7,621	-10,420
Employee expenses	-4,115	-4,433	-4,831	-5,215
Other Operating expenses	-53,797	-57,894	-66,626	-69,183
EBITDA (Core)	45,372	57,534	71,274	89,661
Growth, %	25.9	26.8	23.9	25.8
Margin, %	45.1	49.4	51.2	55.9
Depreciation	-29,404	-33,091	-36,432	-38,407
EBIT	15,967	24,443	34,842	51,254
Growth, %	87.0	53.1	42.5	47.1
Margin, %	15.9	21.0	25.0	32.0
Interest paid	-15,091	-16,616	-16,901	-17,878
Other Non-Operating Income	643	534	937	1,100
Non-recurring Items	0	0	0	0
Pre-tax profit	1,426	10,785	19,629	35,318
Tax provided	-8,933	-4,178	-4,273	-11,741
Profit after tax	-7,506	6,607	15,356	23,577
Others (Minorities, Associates)	0	0	0	0
Net Profit	-7,506	6,607	15,356	23,577
Growth, %	(76.8)	(188.0)	132.4	53.5
Net Profit (adjusted)	(7,506)	6,607	15,356	23,577
Unadj. shares (bn)	549.2	559.0	559.0	559.0
Wtd avg shares (bn)	549.2	559.0	559.0	559.0

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY21	FY22E	FY23E	FY24E
Cash & bank	17,582	12,980	19,088	14,649
Marketable securities at cost	0	0	0	0
Debtors	0	0	0	0
Inventory	0	0	0	0
Loans & advances	0	0	0	0
Other current assets	37,209	38,659	39,033	39,109
Total current assets	54,791	51,640	58,121	53,758
Investments	0	0	0	0
Gross fixed assets	2,52,641	2,71,414	2,75,280	2,75,464
Less: Depreciation	0	0	0	0
Add: Capital WIP	0	0	0	0
Net fixed assets	2,52,641	2,71,414	2,75,280	2,75,464
Non-current assets	38,597	32,806	32,435	32,973
Total assets	3,65,450	3,82,132	4,69,456	4,64,228
Current liabilities	1,11,636	1,14,026	1,21,964	1,21,964
Provisions	0	0	0	0
Total current liabilities	1,11,636	1,14,026	1,21,964	1,21,964
Non-current liabilities	1,53,165	1,57,695	2,18,225	2,18,225
Total liabilities	2,64,801	2,71,721	3,40,189	3,40,189
Paid-up capital	2,746	2,795	2,795	2,795
Reserves & surplus	75,629	82,235	97,591	1,21,168
Shareholders' equity	1,00,649	1,10,411	1,29,267	1,24,039
Total equity & liabilities	3,65,450	3,82,132	4,69,456	4,64,228

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY21	FY22	FY23E	FY24E
Pre-tax profit	1,426	10,785	19,629	35,318
Depreciation	29,404	33,091	36,432	38,407
Chg in working capital	14,948	1,254	1,131	-606
Total tax paid	-9,010	-3,340	-4,646	-11,741
Other operating activities	0	0	0	0
Cash flow from operating activities	37,747	41,644	52,509	61,369
Capital expenditure	-38,827	-51,864	-40,299	-38,590
Chg in investments	0	0	0	0
Chg in marketable securities	9,774	-1,451	-374	-76
Other investing activities	-2,603	-6,560	-12,647	-3,542
Cash flow from investing activities	-41,522	-56,001	-52,193	-41,291
Free cash flow	-3,775	-14,356	316	20,078
Equity raised/(repaid)	179	49	0	0
Debt raised/(repaid)	20,222	6,922	59,807	0
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
Cash flow from financing activities	17,690	10,078	63,308	-28,805
Net chg in cash	13,915	-4,278	63,623	-8,727
Opening cash balance	31,688	17,582	12,980	19,088
Closing cash balance	17,582	12,980	19,088	14,649

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY21	FY22	FY23E	FY24E
Per Share data				
EPS (INR)	(13.7)	11.8	27.5	42.2
Growth, %	(78.3)	(186.5)	132.4	53.5
Book NAV/share (INR)	142.7	152.1	179.6	221.8
FDEPS (INR)	(13.7)	11.8	27.5	42.2
CEPS (INR)	39.9	71.0	92.6	110.9
CFPS (INR)	31.0	63.1	104.4	107.3
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	0.4	4.6	6.9	9.2
Return on equity (%)	(9.6)	7.8	15.3	19.0
Return on capital employed (%)	0.6	6.2	8.1	9.7
Turnover ratios				
Asset turnover (x)	0.6	0.7	0.8	0.9
Sales/Total assets (x)	0.3	0.3	0.4	0.4
Sales/Net FA (x)	0.4	0.4	0.5	0.6
Working capital/Sales (x)	(0.7)	(0.6)	(0.6)	(0.5)
Fixed capital/Sales (x)	2.3	2.1	1.8	1.6
Working capital days	(270.0)	(236.0)	(217.5)	(188.5)
Liquidity ratios				
Current ratio (x)	0.5	0.5	0.5	0.4
Quick ratio (x)	0.5	0.5	0.5	0.4
Interest cover (x)	1.1	1.5	2.1	2.9
Total debt/Equity (%)	173.1	167.7	201.6	163.3
Net debt/Equity (%)	150.7	152.4	182.6	151.5
Valuation				
PER (x)	(51.5)	59.6	25.6	16.7
Price/Book (x)	4.9	4.6	3.9	3.2
EV/Net sales (x)	5.0	4.5	4.1	3.6
EV/EBITDA (x)	11.1	9.1	8.1	6.5
EV/EBIT (x)	31.6	21.4	16.6	11.3

Source: Company, Axis Securities

Bharti Airtel Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jan-22	BUY	780	Top Picks
28-Jan-22	BUY	795	Event Update
03-Feb-22	BUY	810	Top Picks
09-Feb-22	BUY	900	Result Update
02-Mar-22	BUY	810	Top Picks
04-Apr-22	BUY	870	Top Picks
02-May-22	BUY	870	Top Picks
18-May-22	BUY	900	Result Update
01-Jun-22	BUY	900	Top Picks
01-Jul-22	BUY	900	Top Picks
08-Aug-22	BUY	900	Result Update
02-Nov-22	BUY	960	Result Update
09-Feb-23	BUY	960	Result Update
18-May-23	BUY	960	Result Update

Source: Axis Securities

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Disclosures:

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