4 August 2021

1QFY22 Results Update | Sector: Telecom

Bharti Airtel

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BHARTI IN
Equity Shares (m)	5,456
M.Cap.(INRb)/(USDb)	3154.6 / 42.5
52-Week Range (INR)	623 / 394
1, 6, 12 Rel. Per (%)	6/-12/-40
12M Avg Val (INR M)	10086

Financials & Valuations (INR b)

INR Billion	FY21	FY22E	FY23E
Net Sales	1,006	1,127	1,287
EBITDA	454	542	632
Adj. PAT	-7	28	53
EBITDA Margin (%)	45.1	48.1	49.1
Adj. EPS (INR)	-1.3	5.1	9.7
EPS Gr. (%)	-82	-489	91
BV/Sh. (INR)	107	112	122
Ratios			
Net D:E	2.5	2.3	1.4
RoE (%)	-1.1	4.6	8.3
RoCE (%)	12.8	7.0	9.4
Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	10.4	8.5	6.9
P/E (x)	NM	113	59
P/BV (x)	5.3	5.1	4.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	3.1	4.1	9.1

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	55.9	55.9	56.2
DII	20.6	20.4	18.4
FII	18.2	18.6	20.2
Others	5.3	5.2	5.2

FII Includes depository receipts

CMP: INR 574 TP: INR 720 (+25%) Buy

Steady earnings despite lockdown; encouraging outlook

- Bharti Airtel (BHARTI) delivered healthy EBITDA growth of 5% QoQ on a consol basis (5% above est.), led by EBITDA growth of 5.1%/5.3% in the India Mobile / Africa businesses – despite subscribers/ARPU for the India business being impacted by the lockdowns. However, it had high capex toward network investments in India and paid dues towards a deferred spectrum liability for the spectrum acquired from the recent auction. As a result, it continues to post negative FCF and higher leverage.
- a) Subscriber recovery over June–July'21, b) the management indicating growth opportunities in the Enterprise and Digital verticals, and (c) flat to declining capex in FY22 (v/s a high spend in 1QFY22), underscores a healthy earnings and FCF outlook. We estimate a 21%/17% CAGR EBITDA growth for India Mobile / the consol business over FY21–23E, in line with the trend of 30% YoY growth seen in India Mobile, despite no tariff hikes. **Maintain Buy.**

Mobile India EBITDA up 5% QoQ (5% above est); 170bp margin improvement

- Consol. revenue was up 4.3% QoQ to INR268.5b (3% above est), led by a strong performance from the Africa business as well as a stable India Mobile biz.
- Consol. EBITDA was up 5.3% QoQ to INR129.8b (5% above est), led by robust margin improvement in the India Mobile business as well as a healthy Africa business.
- Reported net profit stood at INR2.8b. Excluding exceptional cost, net profit after minority stood at INR2.7b (est INR4.4b). This is a welcome change after the last few quarters of high exceptional costs.
- Mobile India revenue grew 1.6% QoQ (in-line), attributable to flat subscriber adds / ARPU, against 14–15m subscriber adds in the last three quarters (due to lockdown restrictions). However, June–July recovery appears strong at 3–4m, reconciling TRAI's April–May'21 nos.
- Mobile India EBITDA was up 5.1% QoQ to INR70.3b. (5% above est), with robust 170bp margin improvement to 49.2% on lower network cost. However, adjusted for possible one-off gains, EBITDA was up 2–2.5%.
- Overall/4G subscribers remained flat/+5m v/s steady 14–15m adds over the last few quarters (possibly due to the lockdown restrictions), but should recover in the coming quarters. (RJio's subs additions were much better at 14m, estimated to have come largely from JioPhone).
- ARPU at INR146 was up by INR1, impacted by free validity offered to low-ARPU subscribers during the lockdown.
- Africa revenue/EBITDA growth was up by a strong 7.6%/8.3% QoQ to INR81.8b/INR39.3b in CC. In reported currency, growth stood at 7% to USD1,112m/USD903m, led by subs / ARPU improvement of 2%/7% QoQ (strong growth in Data and Airtel Money).

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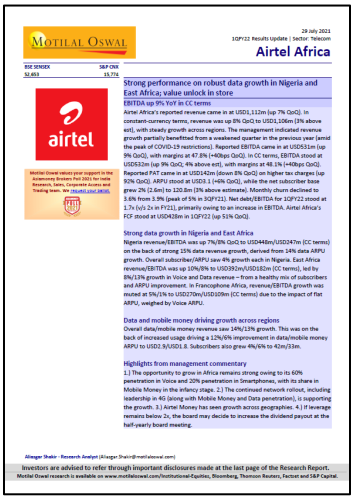
Detail report of Africa results



29 July 2021

1QFY22 Results Update | Sector: Telecom

Airtel Africa

BSE SENSEX	S&P CNX
52,653	15,774

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Strong performance on robust data growth in Nigeria and East Africa; value unlock in store

EBITDA up 9% YoY in CC terms

Airtel Africa's reported revenue came in at USD1,112m (up 7% QoQ). In constant-currency terms, revenue was up 8% QoQ to USD1,106m (3% above est), with steady growth across regions. The management indicated revenue growth partially benefitted from a weakened quarter in the previous year (amid the peak of COVID-19 restrictions). Reported EBITDA came in at USD531m (up 9% QoQ), with margins at 47.8% (+40bps QoQ). In CC terms, EBITDA stood at USD532m (up 9% QoQ; 4% above est), with margins at 48.1% (+40bps QoQ). Reported PAT came in at USD142m (down 8% QoQ) on higher tax charges (up 92% QoQ). ARPU stood at USD3.1 (+6% QoQ), while the net subscriber base grew 2% (2.6m) to 120.8m (3% above estimate). Monthly churn declined to 3.6% from 3.9% (peak of 5% in 3QFY21). Net debt/EBITDA for 1QFY22 stood at 1.7x (v/s 2x in FY21), primarily owing to an increase in EBITDA. Airtel Africa's FCF stood at USD428m in 1QFY22 (up 51% QoQ).

Strong data growth in Nigeria and East Africa

Nigeria revenue/EBITDA was up 7%/8% QoQ to USD448m/USD247m (CC terms) on the back of strong 15% data revenue growth, derived from 14% data ARPU growth. Overall subscriber/ARPU saw 4% growth each in Nigeria. East Africa revenue/EBITDA was up 10%/8% to USD392m/USD182m (CC terms), led by 8%/13% growth in Voice and Data revenue – from a healthy mix of subscribers and ARPU improvement. In Francophone Africa, revenue/EBITDA growth was muted at 5%/1% to USD270m/USD109m (CC terms) due to the impact of flat ARPU, weighed by Voice ARPU.

Data and mobile money driving growth across regions

Overall data/mobile money revenue saw 14%/13% growth. This was on the back of increased usage driving a 12%/6% improvement in data/mobile money ARPU to USD2.9/USD1.8. Subscribers also grew 4%/6% to 42m/33m.

Highlights from management commentary

1.) The opportunity to grow in Africa remains strong owing to its 60% penetration in Voice and 20% penetration in Smartphones, with its share in Mobile Money in the infancy stage. 2.) The continued network rollout, including leadership in 4G (along with Mobile Money and Data penetration), is supporting the growth. 3.) Airtel Money has seen growth across geographies. 4.) If leverage remains below 2x, the board may decide to increase the dividend payout at the half-yearly board meeting.

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- Capex remained high at INR65.9b (INR241b in FY21). FCF post interest declined to INR17.1b (v/s INR22.7b QoQ) due to higher taxes.
- Despite healthy FCF, net debt (ex-lease liability) increased sharply by INR110b to INR1,265b. This was due to an increase in deferred spectrum liability towards the recent spectrum acquisition. Including lease liability of INR330b, net debt stood at INR1,558.5b, with net debt to EBITDA of 3.1x on a 1QFY22 basis.

Highlights from management commentary

- **Recovery in sight:** June-July subscriber and ARPU traction indicate strong and healthy recovery from the lockdown impact.
- **Focus on premium subs:** Airtel's customer segmentation strategy stresses its focus on the top 50m customers in the market, of which 30m are already its users. These, along with 500m 'Aspirers', are high-ARPU customers that contribute 85–90% to the market and form its key focus set. The remaining 400m basic users are targeted for upgrades.
- **Capex and 5G investments:** FY22 capex is expected to trend lower v/s FY21; the higher capex in 1QFY22 was towards an advance for the spectrum acquired at the recent auction. It is well-prepared for 5G, with tests and trials being conducted in multiple cities. The government is planning a 5G auction next year, but there is no clarity on the spectrum pricing.
- **Non-Wireless business: The** Non-Wireless business (Homes, Payments Bank, and Enterprise) is poised for growth. Homes added a strong 285k customers, the Payments Bank business achieved breakeven with INR10b revenue, and the Enterprise business is gaining strong market share.
- **Investments in Africa business:** In addition to USD100m from Mastercard and USD200m from TPG's RISE funds, the company announced an additional investment of USD200m in its Africa business from Qatar Holding LLC.

Valuation and view

- BHARTI's superior execution quality is reflected in its strong performance over the last four quarters (consolidated EBITDA growth of 30% YoY despite no tariff hikes) as well as consistent subscriber and revenue market share gains.
- However, the key concern is the high capex intensity, which continues to leave limited FCF for any deleveraging possibility. The management indicated that FY22 capex should trend lower v/s FY21, thus improving FCF. The higher capex in 1QFY22 was towards an advance for the spectrum acquired at the recent auction.
- We expect an FY21–23E consol EBITDA CAGR of 18% on the back of 7% EBITDA CAGR in Mobile India. While the street has expressed concerns about the timelines of a potential tariff hike, we believe strong earnings growth is achievable even without a tariff hike.
- Bharti Africa is **trading at EV/EBITDA of merely 3.7x** (incl lease debt) on 1QFY22 annualized EBITDA. Adjusted for **Airtel Africa's recent ~11% stake sale in the Mobile Money biz to Mastercard and TPG Group at 11x,** the rest of the Airtel Africa biz (including one-third from Data rev growing >20%) is valued at 2.8x on 1QFY22 annualized EBITDA. At CMP, Bharti India looks attractively valued at just 8.5x EV/EBITDA on FY23E basis.
- We see a potential re-rating upside in both the India and Africa businesses on the back of steady earnings growth. We value BHARTI on FY23E, assigning EV/EBITDA of 11x to the India Mobile business and 05x to the Africa business, arriving at SOTP-based TP of INR720. Our estimates do not factor in any upside from tariff hikes or sharp market share gains, potentially due to VIL's eventual outcome of financial stress. **Maintain Buy.**

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY21				FY22E				FY21	FY22E	FY22E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Revenue	**2,39,387**	**2,50,604**	**2,65,178**	**2,57,473**	**2,68,536**	**2,76,660**	**2,86,305**	**2,95,945**	**10,06,158**	**11,27,445**	**2,59,917**	3.3
YoY Change (%)	15.4	18.6	24.2	8.5	12.2	10.4	8.0	14.9	15.7	12.1	8.6	
Total Expenditure	1,35,308	1,39,907	1,44,648	1,34,154	1,38,733	1,44,220	1,48,794	1,53,480	5,52,441	5,85,227	1,36,442	1.7
EBITDA	**1,04,079**	**1,10,697**	**1,20,530**	**1,23,319**	**1,29,803**	**1,32,440**	**1,37,511**	**1,42,465**	**4,53,717**	**5,42,218**	**1,23,476**	5.1
YoY Change (%)	25.7	24.9	38.3	21.3	24.7	19.6	14.1	15.5	26.0	19.5	18.6	33
Depreciation	72,268	72,862	75,031	75,019	77,137	79,798	81,818	84,429	2,94,044	3,23,182	77,875	-0.9
Net Finance cost	34,562	37,914	39,719	38,606	42,257	41,799	41,799	41,825	1,50,910	1,67,679	41,211	2.5
Other Income	6,471	-1,895	-1,714	6,113	7,045	10,121	11,156	12,191	5,500	40,514	9,931	-29.1
PBT before EO expense	**3,720**	**-1,974**	**4,066**	**15,807**	**17,454**	**20,964**	**25,050**	**28,403**	**14,263**	**91,871**	**14,320**	21.9
Extra-Ord expense	1,17,457	493	45,599	-4,404	-305	0	0	0	1,59,145	-305	0	
PBT	**-1,13,737**	**-2,467**	**-41,533**	**20,211**	**17,759**	**20,964**	**25,050**	**28,403**	**-1,44,882**	**92,176**	**14,320**	24.0
Tax	38,175	4,135	43,067	5,101	8,345	8,386	10,020	11,361	89,325	38,112	5,728	
Rate (%)	-33.6	-167.6	-103.7	25.2	47.0	40.0	40.0	40.0	-61.7	41.3	40.0	
Minority Interest & P/L of Asso. Cos.	7,419	7,293	4,965	7,518	6,579	6,025	7,199	6,093	27,195	25,897	4,116	
Reported PAT	**-1,59,331**	**-7,632**	**8,536**	**7,592**	**2,835**	**6,553**	**7,831**	**10,949**	**-1,57,038**	**28,167**	**4,477**	-36.7
Adj PAT	**-4,363**	**-7,444**	**-2,982**	**3,222**	**2,664**	**6,553**	**7,831**	**10,949**	**-11,567**	**27,997**	**4,477**	-40.5
YoY Change (%)	-68.8	-33.7	-72.4	-168.4	-161.1	-188.0	-362.6	239.8	-71.6	-342.0	-202.6	

E: MOFSL Estimates

Key Performance Indicators

	FY21				FY22E				FY21	FY22E	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Bharti India Wireless											
ARPU (INR)	157	162	166	145	146	149	152	155	154	149	142
Total Subscribers (m)	280	294	308	321	321	329	336	343	321	343	321
Data Subscribers (m)	149	162	175	189	193	208	224	242	189	242	204
Monthly churn (%)	2.2	1.7	1.9	2.2	2.8	2.8	2.8	2.8	2.0	2.8	2.8
Data Traffic (b MB)	7,240	7,640	8,454	9,207	10,771	11,781	13,201	14,780	32,541	50,533	10,339
Data usage/sub (MB)	16,655	16,409	16,766	16,840	18,932	19,572	20,354	21,148	16,083	19,561	17,567
Airtel Africa											
Mobile Subs (m)	111	116	119	118	121	123	126	128	118	128	121
ARPUs (USD)	3	3	3	3	3	3	3	3	3	3	3
EBITDA Margins (%)	43.5	44.2	45.5	47.9	48.3	47.9	48.0	48.1	45.1	48.1	47.5
EBIT Margin (%)	13.3	15.1	17.2	18.8	19.6	19.0	19.5	19.6	15.9	19.4	17.5
Adj. PAT Margins (%)	-1.8	-3.0	-1.1	1.3	1.0	2.4	2.7	3.7	-1.1	2.5	1.7

E:MOFSL Estimates

Key positive from results

- **Steady EBITDA despite no price hike:** Consol EBITDA grew 5% QoQ (above est), with 5% QoQ steady growth in India Mobile EBITDA. Lockdown dried up subs/ARPU growth to flattish levels v/s strong 4–5% growth over the last few quarters. EBITDA has been 30% higher for the last year, highlighting that the healthy subs/ARPU equation is showing gains despite no tariff hikes.
- **Africa, the underdog:** Africa saw strong 9% EBITDA growth QoQ, backed by all-round growth in Data and Airtel Money consistently over the last few quarters. It generates INR400–500m FCF and remains a business that exhibits low leverage and healthy growth. The details are highlighted in our Africa quarterly note.
- **Superior network capacity:** Despite robust data traffic volumes of 108b GB (18.9 GB/user), data traffic/subscribers are ~50% that of RJio. This highlights a healthy

network capacity and scope for improvement. It has a healthy count of 661k base stations (closer to RJio's nos), with 218k unique broadband towers.

Negatives

- **High capex and spectrum spend limiting FCF growth/deleveraging:** Capex remained high at INR65.9b (v/s INR241b in FY21), keeping FCF post interest constrained at INR17.1b (INR22.7b QoQ). This – along with an INR110b increase in deferred spectrum liability from the recent spectrum acquired through auction – has increased net debt to INR1,265b (v/s INR1,155b in 4QFY21). Over the last year, despite 30% EBITDA, FCF generation and deleveraging have been poor. These are expected to improve in FY22E.
- **Muted growth in other segments:** Home/Enterprise declined 3.5%/1.2% QoQ, while Digital posted a 6.2% increase. However, strong subs adds in Home and Digital offer tailwinds for the coming quarters.

Segment-wise details

- Subscribers remained flat at 321m (v/s 14–15m additions over the last three quarters) due to the lockdowns, with churn increasing to 2.8% (v/s 2.2% QoQ). (RJio's subs additions were far better at 14m, estimated to be largely from JioPhone). Our channel check suggests strong recovery in 2QFY22 post the lockdowns. As per TRAI, April–May'21 saw decline by 3m, implying strong revival with 3m adds in June'21, despite the gradual opening up of trade.
- 4G subs adds slowed to 5.1m (v/s the last three quarters of strong growth), reaching 184.4m subscribers, i.e., 59% of total subscribers. However, as per TRAI, April–May'21 saw 1m adds, implying strong revival with 4m adds in June'21, despite the gradual opening up of trade.
- Data traffic grew 17% QoQ, possibly due to higher consumption of 107.7b GB during the lockdowns (18.9 GB/user). BHARTI's data traffic and data subscribers are still nearly half that of RJio, with the capacity gap much lower, highlighting a better network experience.
- MOU / Total voice traffic was flattish at 1,044 mins / 1,002b mins.
- 4G base stations / towers continue to see strong adds of 55k/2.5k to 661k/218k, in addition to a healthy ramp-up of 7.7k kms in fiber additions (despite the lockdown restrictions).

Other segments offering strong tailwinds

- Home revenue/EBITDA growth stood at 8.7%/-3.5% QoQ to INR6.5/INR3.2b on account of sharp margin contraction of 630bp. Subscriber adds have been strong at 285k to 3.35m (9% QoQ jump) as it increased the no of cities covered significantly to 387 (v/s 291 cities in 4QFY21 and 117 cities in 1QFY21) on the back of tie-ups with LCOs.
- Enterprise revenue/EBITDA grew 2.4/-1.2% QoQ to INR37.9b/INR14.7b.
- Digital revenue/EBITDA grew 5.5%/6.2% QoQ to INR8.1b/INR5.4b.

Africa valuations

- Airtel Africa is trading at EV/EBITDA of just 3.7x (incl lease debt) on 1QFY22 annualized EBITDA.

- Recently, Airtel Africa sold a ~11% stake in the Mobile Money biz to Mastercard and TPG Group for USD2.65b, implying a valuation of 11x. Excluding the valuation for Mobile Money, the rest of the Airtel Africa biz (including one-third from Data rev growing >20%) is valued at 2.8x on 1QFY22 annualized EBITDA.
- Airtel Africa has strong capabilities to generate post-interest FCF of >USD500m, which should further reduce existing net debt to EBITDA of 1.7x (USD2b core debt).
- Assuming 6x EV/EBITDA for Africa, at CMP, the adj Bharti India business looks attractively valued at just 8.5x on FY23E.

Exhibit 1: Bharti Airtel — SOTP based on FY23E

	EBITDA (INR b)	Ownership	Proportionate EBITDA (INR b)	EV/EBITDA	Fair Value (INR b)	Value/Share
India SA business (excl. towers)	447	100%	447	11	4,801	880
Tower business (15% discount to fair value)		41.7%			234	43
Africa business	185	55.2%	102	5	512	94
Less net debt					1618	297
Total Value					**3,933**	**720**
Shares o/s (b)	5.5					
CMP						**574**
Upside (%)						25

Source: Company, MOFSL

Highlights from management commentary

Key highlights

- **Recovery in sight**: June-July subscriber and ARPU traction indicate strong and healthy recovery from the lockdown impact.
- **Focus on premium subs**: Airtel's customer segmentation strategy stresses its focus on the top 50m customers in the market, of which 30m are already its users. These, along with 500m customers under aspirers, are high-ARPU customers that contribute 85–90% to the market and form its key focus set. The remaining 400m basic users are targeted for upgrades.
- **Capex and 5G investments**: FY22 capex is expected to trend lower v/s FY21; the higher capex in 1QFY22 was towards an advance for the spectrum acquired at the recent auction. It is well-prepared for 5G, with tests and trials being conducted in multiple cities. The government is planning a 5G auction next year, but there is no clarity on the spectrum pricing.
- **Non-Wireless business**: The Non-Wireless business (Homes, Payments Bank, and Enterprise) is poised for growth. Homes added a strong 285k customers, the Payments Bank business achieved breakeven with INR10b revenue, and the Enterprise business is gaining strong market share.
- **Investments in Africa business**: In addition to USD100m from Mastercard and USD200m from TPG's RISE funds, the company announced an additional investment of USD200m in its Africa business from Qatar Holding LLC.

Business Performance

Airtel Homes

- The company has expanded its presence and now has ~1m home passes.

- The company, in collaboration with local broadband providers, added 98 towns; it now has a broadband presence in 300 towns.
- The company added the highest ever number of customers (285k), taking the total customer base to 3.35m, aided by tailwinds from the lockdowns and the work-from-home thrust.
- The company continues to see momentum in the business.
- The company views Fiber-to-Home as a good opportunity. It plans to expand its fiber network to 2,000 towns over the next three years.
- DTH ARPU stands at INR151. The company sees green shoots in the conversion from cable and the move to connected boxes areas.
- The company has made a representation to the govt. to bring DTH under DoT to provide a consistent policy regime.

Mobile

- The company has 5.1m 4G customers, and ARPU stands at INR146. This segment enjoys the highest revenue market share of 35%.
- The company has deployed additional mid-band and sub GHz (auction acquired) to extend services to an additional 19m customers.
- The company revised its entry-level prepaid plans from INR49 to INR79 in Aug'21. This is expected to bring SIM consolidation and churn. It further revised its corporate plans to INR299 from INR199 earlier.

Airtel

- The share of this business has improved to 34.1% in the current quarter from 22.1% in 1QFY21.
- The company enjoys a leadership position in IoT and other connectivity markets.
- Strong recovery was witnessed in June 2021.
- The segment has a customer base of 3,600 large and ~1m emerging enterprises. However, just 20% of its customers account 80% of revenue.
- Business opportunity: The company views opportunities in this segment from:
  - Farming: Providing cybersecurity and cloud-based services
  - Hunting: Entry into limited-presence areas

Payments Bank

- It achieved strong growth in terms of scale, with over 30m users. It achieved breakeven in the business, aided by scale and a customer base provided by Airtel.
- The segment has been seeing green shoots in the form of strong growth in the deposit base for the last few years, dominance in remittances (aided by the Telecom customer base), and a strong pool of ~7m merchants. These factors are expected to improve GMV going ahead.
- The business is now on the verge of achieving an INR10b annualized run-rate.
- Going ahead, the company plans to monetize some of its stake in the subsidiary as the lock-in period is lifted.

Business outlook

- **Capex:** Capex in the current quarter was on the higher side, primarily on account of the 850 and 900 MHz frequency acquisitions. Going ahead, the company expects to keep capex in-line, with a focus on spending towards transport and back haul, while radio investments are expected to reduce. Core investments are expected to be the direct function of capacity.

- **Customer identification and focus market:** The company has identified the following three market segments based on usage.
  - High-Value Homes: This segment constitutes ~50m high-value homes situated in the top 25 cities. Spends by these homes on telecom range between INR1,500–2,000 per month, with the capacity to spend even more. The company plans to offer these households premium services such as Airtel Black; Postpaid Family Plan, which offers stickiness, bundled with priority services; and zero service/visiting costs.
  - Aspirers: This segment constitutes 500m smartphone users who look for good value. Aspirers, along with high-value customers, account for 85–90% of the overall market and are considered major focus areas. The company offers Airtel Safeway for payment solutions to this segment.
  - Basic Users: This division constitutes 400m users, comprising farmers, elders, housewives, and rural traders, who look for basic connectivity services.
- **Business service strategy:** The company plans to attract quality customers by focusing on the following:
  - It plans to offer differentiating services (not easy to replicate) to quality customers. This can be done by leveraging the presence of ~30m of the total 50m high-value customers already associated with the network through either of the services offered.
  - The company has invested ~INR1,500b in enhancing its network. Furthermore, the 5G trials and the initiation of O-RAN – in association with companies such as Intel, Qualcomm, and Red Hat – are expected to enhance network capabilities.
  - The company plans to deleverage its digital assets to create revenue streams.
- **AGR dues verdict:** The apex court declined the petition for the re-calculation of AGR dues. The company has already paid INR1,800b towards this demand.
- **Investments in Africa business:** In addition to USD100m from Mastercard and USD200m from TPG's RISE funds, the company announced an additional investment of USD200m in its Africa business from Qatar Holding LLC.
- **De-leveraging:** The company has no reason to significantly de-leverage its balance sheet on the back of high-growing EBITDA, limited bank debt, and the availability of a monetization pool. Africa monetization is available through dividends and consolidation.
- **Subsidy offerings:** Offering subsidies is not possible due to low ARPU, high churn post the completion of the subsidies, and high costs on earnings.
- **Tariff hike:** Airtel plans to gradually hike its tariff, which would help take ARPU to INR200 from INR146 currently. The long-term ARPU target remains at INR300.
- **5G status:** 5G testing and trials have been conducted in multiple cities. The company expects the 5G auction to be announced early next year. Meanwhile, it plans to get its network 5G ready by the launch period.

Exhibit 2: Segmental business performance

	1QY21	4QFY21	1QFY22	YoY%	QoQ%	1QFY22E	v/s Est (%)
Revenue							
Mobile India	1,28,772	1,40,798	1,43,056	11.1	1.6	1,40,921	1.5
Telemedia	5,786	6,009	6,531	12.9	8.7	6,315	3.4
Enterprise	35,019	37,020	37,893	8.2	2.4	37,760	0.4
Passive Infrastructure*	16,421	0	0	-100.0	0	0	0
Digital TV	7,448	7,673	8,094	8.7	5.5	7,773	4.1
South Asia	1,088	982	952	-12.5	-3.1	1,002	-5.0
Others	4	84	85	2025.0	1.2	14	528.5
Africa	64,513	76,018	81,773	26.8	7.6	77,313	5.8
Eliminations	-19,663	-11,111	-9,848	-49.9	-11.4	-11,181	NM
Consolidated Revenue*	**2,39,388**	**2,57,473**	**2,68,536**	**12.2**	**4.3**	**2,59,917**	**3.5**
EBITDA							
Mobile India	52,227	66,897	70,335	34.7	5.1	67,208	4.7
Telemedia	3,514	3,345	3,230	-8.1	-3.5	3,515	-8.1
Enterprise	12,711	14,867	14,685	15.5	-1.2	15,164	-3.2
Passive Infrastructure*	8,742	0	0	NM	NM	0	NM
Digital TV	5,041	5,105	5,421	7.5	6.2	5,172	4.8
South Asia	98	-122	-110	-212.2	-9.6	-123	-10.4
Others	0	0	0	NM	NM	0	NM
Africa	28,258	36,270	39,334	39.2	8.4	35,586	10.5
Eliminations	-6,513	-3,043	-3,091	-52.5	1.6	-3,046	1.5
Consolidated EBITDA*	**1,04,079**	**1,23,319**	**1,29,803**	**24.7**	**5.3**	**1,23,476**	5.1
Consolidated EBITDA (Adj. for Ind-As 116)	**88,691**	**1,07,931**	**1,14,415**	**29.0**	**6.0**	**1,08,088**	**5.9**
EBITDA margin (%)							
Mobile India	40.6	47.5	49.2	861bps	165bps	47.7	147bps
Telemedia	60.7	55.7	49.4	-1128bps	-622bps	55.7	-622bps
Enterprise	36.3	40.2	38.8	246bps	-141bps	40.2	-141bps
Passive Infrastructure	53.2	NM	NM	NM	NM	NM	NM
Digital TV	67.7	66.5	67.0	-71bps	44bps	66.5	44bps
Mobile South Asia	9.0	-12.4	-11.6	-2062bps	84bps	-12.3	70bps
Africa	43.8	47.7	48.1	430bps	39bps	46.0	207bps
Consolidated EBITDA margin*	**42.9**	**45.5**	**48.3**	**549bps**	**288bps**	**47.5**	**-466bps**
Depreciation and amortization	72,268	75,019	77,137	6.7	2.8	77,875	-0.9
Operating income	31,811	48,300	52,666	65.6	9.0	45,600	15.5
Other income and share of JV/Associate	6,471	6,113	7,045	8.9	15.2	9,931	-29.1
Net finance cost	34,562	38,606	42,257	22.3	9.5	41,211	2.5
Proforma Profit Before Taxes	**3,720**	**15,807**	**17,454**	**369.2**	**10.4**	**14,320**	**21.9**
Exceptional Items	1,17,457	-4,404	-305	-100.3	-93.1	0	NM
Proforma Tax	38,175	5,101	8,345	-78.1	63.6	5,728	**45.7**
Effective Tax Rate (%)	1026.2	32.3	47.8	NM	1554.1	40.0	**19.5**
Profit from discontinued operations	0	0	0				
Proforma Profit After Tax	**-1,51,912**	**15,110**	**9,414**	**-106.2**	**-37.7**	**8,592**	**NM**
Proforma Minority Interest	7,419	7,518	6,579	-11.3	-12.5	4,116	**59.9**
Proforma Net Profit	**-1,59,331**	**7,592**	**2,835**	**-101.8**	**-62.7**	**4,477**	**NM**
Proforma Adj. Net Profit	**-4,363**	**3,222**	**2,664**	**NM**	**NM**	**4,477**	**NM**

***LTL comparison**

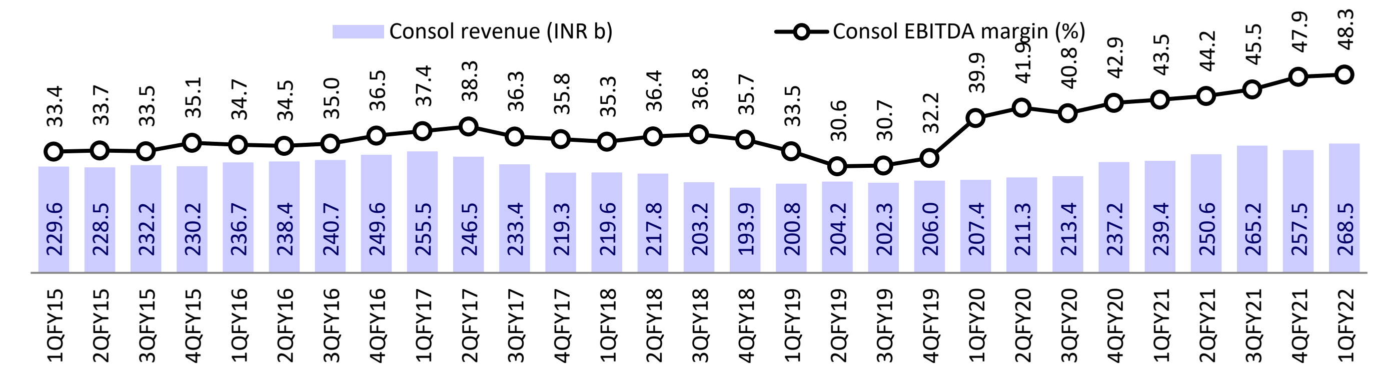
Exhibit 3: Summary of estimate change

	FY22E	FY23E
Revenue consolidated (INRb)		
Old	1144	1272
New	1119	1249
Change (%)	-2.1	-1.8
EBITDA consolidated (INRb)		
Old	557	639
New	546	620
Change (%)	-2.0	-3.0
EBITDA margin consolidated (%)		
Old	48.7	50.2
New	48.8	49.6
Change (bp)	6	-64
India Mobile Revenue (INRb)		
Old	627	706
New	626	708
Change (%)	0	0
India Mobile EBITDA (INRb)		
Old	309	355
New	307	356
Change (%)	-1	0
India ARPU (INR)		
Old	165	179
New	153	167
Change (%)	-7.1	-7.1
Adj. EPS (INR)		
Old	4.5	7.9
New	5.8	9.3
Change (%)	28.5	18.5
Africa Mobile Revenue (INRb)		
Old	286	316
New	291	340
Change (%)	1.9	7.6
Africa Mobile EBITDA (INRb)		
Old	129	154
New	134	163
Change (%)	4.1	6.0

Source: Company, MOFSL

Story in charts

Exhibit 4: Consol. revenue up 4% QoQ; consol. EBITDA margin expands 40bp (INR b, %)



Source: MOFSL, Company

Exhibit 5: India Mobile revenue up 2% QoQ

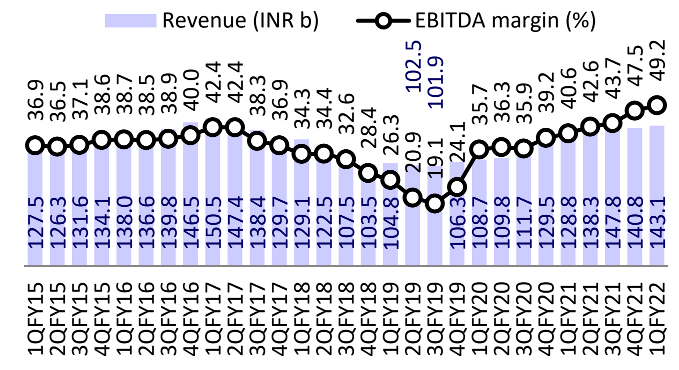


Exhibit 6: Africa revenue up 8% QoQ

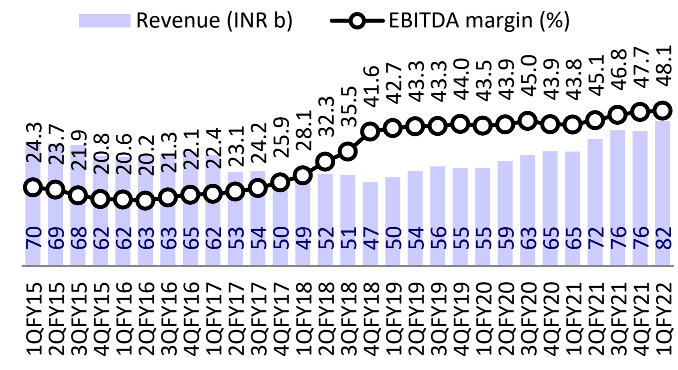


Exhibit 7: India Mobile ARPU flat on comparable basis QoQ

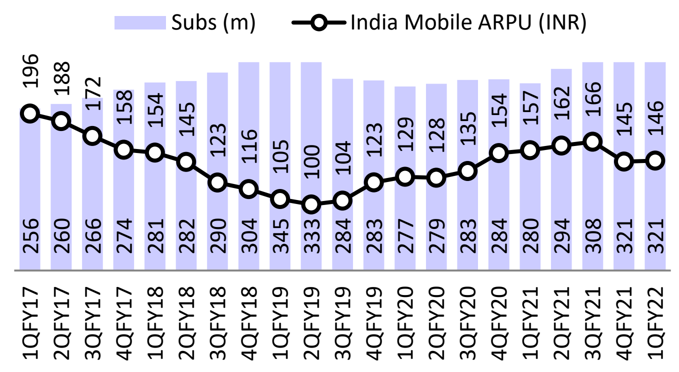


Exhibit 8: Africa ARPU up to USD3.1

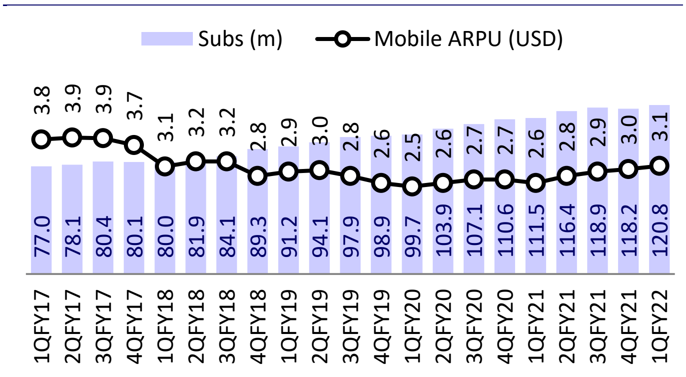
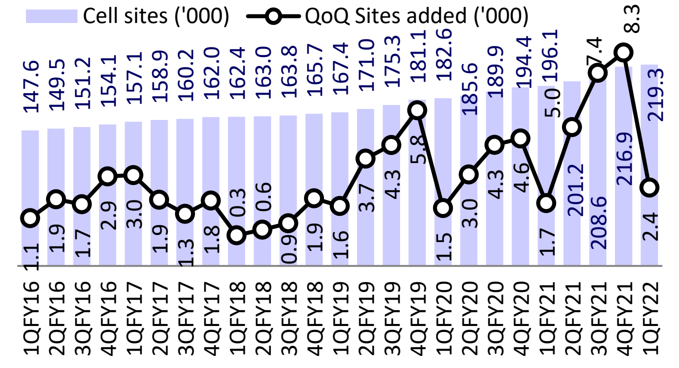
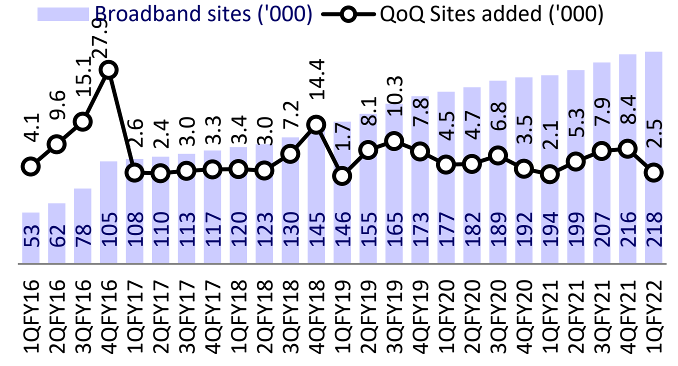


Exhibit 9: India Mobile total cell site base and quarterly additions



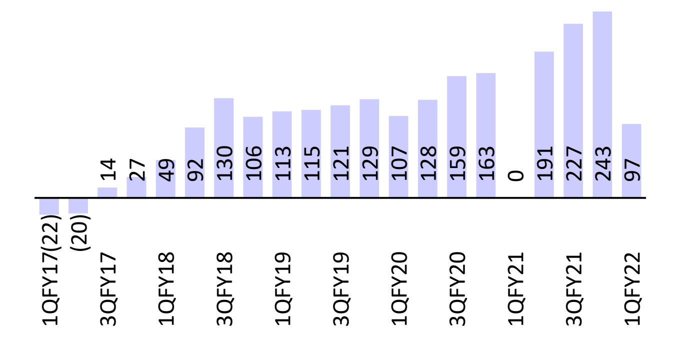
Source: Company, MOFSL

Exhibit 10: India Mobile broadband site base and quarterly additions



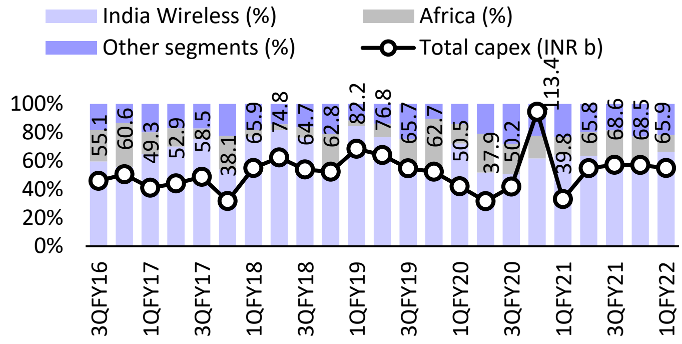
Source: Company, MOFSL

Exhibit 11: Airtel Africa — PBT in constant currency (USD m)



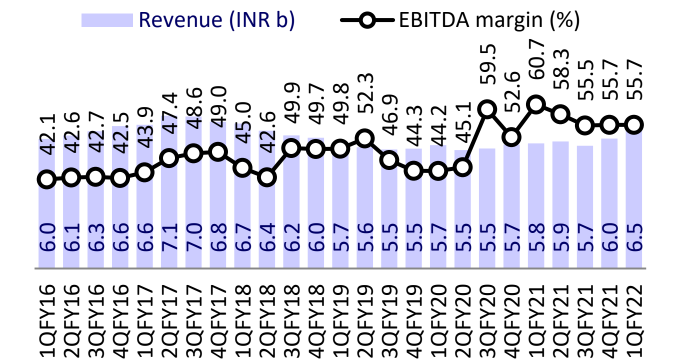
Source: Company, MOFSL

Exhibit 12: Bharti Airtel – segmental capex trend (INR b)



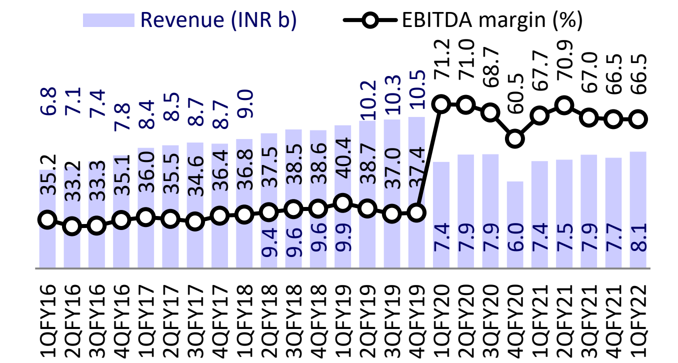
Source: Company, MOFSL

Exhibit 13: Telemedia business revenue up 9% QoQ



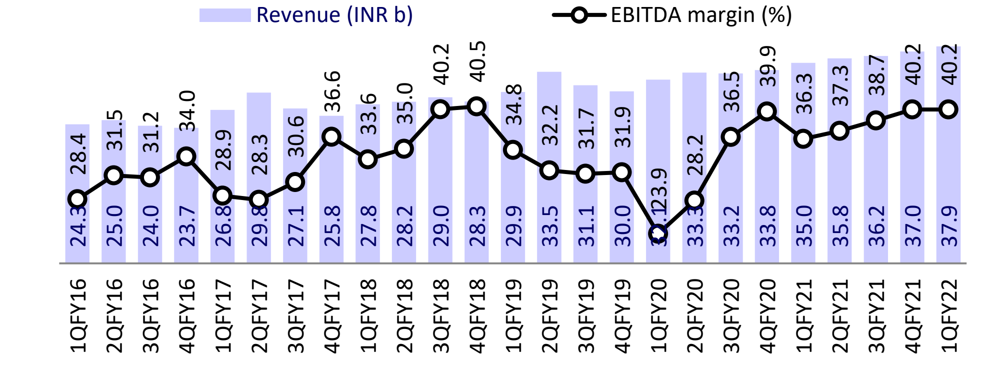
Source: Company, MOFSL

Exhibit 14: Digital TV business up 5% QoQ



Source: Company, MOFSL

Exhibit 15: Enterprise business revenue up 2% QoQ



Source: MOFSL, Company

Exhibit 16: Business mix

Revenue (INR b)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Mobile	431	467	520	561	566	463	416	460	556	605	706
Telemedia	36	39	44	25	28	25	22	22	23	28	32
Enterprise	53	63	67	97	109	113	125	132	144	156	169
Others (incl South Asia)	32	41	43	49	49	46	47	34	35	38	41
Africa	240	272	269	251	220	191	215	242	289	342	386
Total revenue	842	934	998	1039	1032	904	892	947	1074	1169	1334
Eliminations and others	73	77	77	76	78	78	84	72	50	41	47
Consolidated revenue	**769**	**857**	**920**	**963**	**955**	**826**	**808**	**875**	**1024**	**1127**	**1287**
YoY%		**11**	**7**	**5**	**-1**	**-13**	**-2**	**8**	**17**	**10**	**14**
EBITDA (INR b)											
Mobile	130	158	194	219	227	151	94	170	243	294	356
Telemedia	15	15	18	11	13	12	11	11	13	15	18
Enterprise	9	14	14	30	34	42	41	43	55	61	66
Others (incl South Asia)	-12	2	5	8	10	10	13	20	21	21	23
Africa	63	71	61	53	51	68	93	107	133	164	185
Total EBITDA	205	259	292	347	364	315	285	388	483	555	648
Eliminations and others	-5	-6	-5	-7	-11	-14	-26	-28	-24	-13	-16
Consolidated EBITDA	**200**	**254**	**287**	**340**	**353**	**301**	**258**	**360**	**459**	**542**	**632**
YoY%		**27**	**13**	**19**	**4**	**-15**	**-14**	**40**	**27**	**18**	**17**
Consolidated EBITDA margin (%)	**30.2**	**32.3**	**33.9**	**35.2**	**37.0**	**36.4**	**31.9**	**41.4**	**45.1**	**48.1**	**49.1**
Capex (INR b)											
Consolidated capex	**130**	**175**	**210**	**271**	**384**	**267**	**305**	**221**	**334**	**339**	**215**
YoY%	**-13**	**34**	**20**	**29**	**42**	**-30**	**14**	**-28**	**51**	**1**	**-37**
Capex/Sales (%)	**17**	**20**	**23**	**28**	**40**	**32**	**38**	**25**	**33**	**30**	**17**

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	**8,57,461**	**9,20,394**	**9,65,321**	**9,54,683**	**8,26,388**	**8,07,802**	**8,69,355**	**10,06,158**	**11,27,445**	**12,86,630**
Change (%)	11.5	7.3	4.9	-1.1	-13.4	-2.2	7.6	15.7	12.1	14.1
Total Expenditure	**5,80,865**	**6,08,118**	**6,25,479**	**6,01,386**	**5,25,597**	**5,50,164**	**5,09,134**	**5,52,441**	**5,85,227**	**6,54,294**
% of Sales	67.7	66.1	64.8	63.0	63.6	68.1	58.6	54.9	51.9	50.9
EBITDA	**2,76,596**	**3,12,276**	**3,39,842**	**3,53,297**	**3,00,791**	**2,57,638**	**3,60,221**	**4,53,717**	**5,42,218**	**6,32,336**
Margin (%)	32.3	33.9	35.2	37.0	36.4	31.9	41.4	45.1	48.1	49.1
Depreciation	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	2,13,475	2,75,666	2,94,044	3,23,182	3,50,012
EBIT	**1,20,100**	**1,56,965**	**1,65,344**	**1,55,567**	**1,08,360**	**44,163**	**84,555**	**1,59,673**	**2,19,036**	**2,82,324**
Int. and Finance Charges	48,381	48,463	69,135	76,974	80,715	95,894	1,35,093	1,50,910	1,67,679	1,50,405
Other Income	6,385	6,588	10,513	10,336	12,956	5,125	16,090	5,500	40,514	40,514
PBT bef. EO Exp.	**78,104**	**1,15,090**	**1,06,722**	**88,929**	**40,601**	**-46,606**	**-34,448**	**14,263**	**91,871**	**1,72,433**
EO Items	538	-7,960	21,741	-11,697	-7,931	29,288	-4,02,344	-1,59,145	305	0
PBT after EO Exp.	**78,642**	**1,07,130**	**1,28,463**	**77,232**	**32,670**	**-17,318**	**-4,36,792**	**-1,44,882**	**92,176**	**1,72,433**
Total Tax	48,449	54,047	59,533	34,819	10,835	-34,193	-1,23,081	89,325	38,112	69,997
Tax Rate (%)	61.6	50.4	46.3	45.1	33.2	197.4	28.2	-61.7	41.3	40.6
Profit from discontinued operations							7069.0	110567.0	0.0	0.0
Minority Interest	2,467	1,248	8,163	4,416	10,845	12,780	15,190	27,195	25,897	49,067
Reported PAT	**27,726**	**51,835**	**60,767**	**37,997**	**10,990**	**4,095**	**-3,21,832**	**-1,50,835**	**28,167**	**53,369**
Adjusted PAT	**27,519**	**55,779**	**49,101**	**44,421**	**13,960**	**-34,943**	**-40,744**	**-7,197**	**27,988**	**53,369**
Change (%)	43.0	102.7	-12.0	-9.5	-68.6	-350.3	16.6	-82.3	-488.9	90.7
Margin (%)	3.2	6.1	5.1	4.7	1.7	-4.3	-4.7	-0.7	2.5	4.1

Consolidated - Balance Sheet (INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	19,987	19,987	19,987	19,987	19,987	19,987	27,278	27,460	27,460	27,460
Total Reserves	5,77,573	5,99,577	6,47,706	6,54,576	6,75,357	6,94,235	7,44,170	5,62,067	5,90,234	6,43,604
Net Worth	**5,97,560**	**6,19,564**	**6,67,693**	**6,74,563**	**6,95,344**	**7,14,222**	**7,71,448**	**5,89,527**	**6,17,694**	**6,71,064**
Minority Interest	42,102	48,525	54,981	68,750	88,139	1,35,258	2,49,847	2,22,739	2,48,636	2,97,703
Total Loans	7,58,958	8,06,839	10,04,526	10,72,877	11,13,335	12,54,283	11,76,190	16,27,852	15,07,619	12,85,362
Lease liabilities							3,06,091	0	0	0
Deferred Tax Liabilities	-45,777	-44,392	-34,226	-16,766	-22,118	-82,556	-2,62,612	-2,22,103	-2,22,103	-2,22,103
Capital Employed	**13,52,843**	**14,30,536**	**16,92,974**	**17,99,424**	**18,74,700**	**20,21,207**	**22,40,964**	**22,18,015**	**21,51,846**	**20,32,026**
Net Fixed Assets	**14,06,145**	**15,01,440**	**17,79,948**	**18,90,736**	**15,89,357**	**16,83,662**	**16,90,165**	**22,92,061**	**23,07,467**	**21,72,056**
Right of use assets							2,59,049	0	**0**	**0**
Total Investments	**1,55,308**	**1,70,357**	**1,19,671**	**1,81,552**	**1,80,406**	**1,76,044**	**2,78,185**	**3,29,306**	**2,88,525**	**2,88,525**
Curr. Assets, Loans&Adv.	**2,07,692**	**2,26,519**	**3,10,876**	**2,34,170**	**3,26,564**	**3,81,895**	**7,24,067**	**6,16,808**	**5,91,521**	**6,39,086**
Inventory	1,422	1,339	1,692	488	693	884	1,569	0	1,758	248
Account Receivables	62,441	67,252	55,039	47,402	58,830	43,006	46,058	36,377	37,756	39,794
Cash and Bank Balance	49,808	11,719	37,087	12,817	47,886	62,121	1,35,507	80,859	32,036	59,095
Loans and Advances	94,021	1,46,209	2,17,058	1,73,462	2,19,155	2,75,884	5,40,933	4,99,572	5,19,970	5,39,949
Curr. Liability & Prov.	**4,16,302**	**4,67,781**	**5,17,520**	**5,07,034**	**6,01,786**	**6,41,389**	**10,96,666**	**10,20,160**	**10,35,668**	**10,67,641**
Account Payables	4,04,533	4,59,472	5,07,838	4,97,348	5,77,285	6,21,206	6,20,540	10,20,160	10,35,668	10,67,641
Provisions	11,769	8,309	9,682	9,686	24,501	20,183	4,76,126	0	0	0
Net Current Assets	**-2,08,610**	**-2,41,262**	**-2,06,645**	**-2,72,865**	**-2,75,222**	**-2,59,494**	**-3,72,599**	**-4,03,352**	**-4,44,147**	**-4,28,555**
Appl. of Funds	**13,52,843**	**14,30,536**	**16,92,974**	**17,99,424**	**18,74,700**	**20,21,207**	**22,40,964**	**22,18,015**	**21,51,846**	**20,32,025**

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)										
EPS	**6.9**	**14.0**	**12.3**	**11.1**	**3.5**	**-8.7**	**-7.5**	**-1.3**	**5.1**	**9.7**
Cash EPS	46.0	52.8	55.9	60.6	51.6	44.7	43.1	52.2	63.9	73.4
BV/Share	149.5	155.0	168.8	168.8	173.9	178.7	141.4	107.3	112.5	122.2
DPS	1.8	2.2	1.4	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	30.2	19.9	10.8	12.7	43.8	0.0	0.0	0.0	0.0	0.0
Valuation (x)										
P/E	83.4	41.1	46.7	51.7	164.4	-65.7	-76.9	-438.2	112.7	59.1
Cash P/E	12.5	10.9	10.3	9.5	11.1	12.9	13.3	11.0	9.0	7.8
P/BV	3.8	3.7	3.4	3.4	3.3	3.2	4.1	5.3	5.1	4.7
EV/Sales	3.5	3.4	3.4	3.5	4.1	4.3	5.2	4.7	4.1	3.4
EV/EBITDA	10.9	9.9	9.6	9.5	11.2	13.5	12.4	10.4	8.5	6.9
Dividend Yield (%)	0.3	0.4	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)										
RoE	5.0	9.2	7.6	6.6	2.0	-5.0	-5.5	-1.1	4.6	8.3
RoCE	3.8	5.8	6.1	5.3	4.6	-2.5	3.7	12.8	7.0	9.4
RoIC	4.2	6.5	6.4	5.4	4.5	-2.6	3.5	14.4	7.1	9.5
Working Capital Ratios										
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.5	0.5	0.6
Debtor (Days)	27	27	21	18	26	19	19	13	12	11
Leverage Ratio (x)										
Net Debt/Equity	0.9	1.0	1.3	1.3	1.3	1.4	1.5	2.5	2.3	1.4

Consolidated - Cash Flow Statement **(INR m)**

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	78,643	1,07,130	1,28,463	77,233	32,670	-17,318	-4,28,465	-31,184	92,176	1,72,433
Depreciation	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	2,13,475	2,76,896	2,97,092	3,23,182	3,50,012
Interest & Finance Charges	58,788	73,252	85,461	95,466	93,255	1,10,134	1,37,261	1,49,304	1,67,679	1,50,405
Direct Taxes Paid	-35,039	-46,111	-46,836	-31,587	-13,723	-11,706	-22,937	-22,328	-38,112	-69,997
(Inc)/Dec in WC	17,533	-1,639	-3,955	-27,429	5,906	-55,374	-1,65,964	30,433	-8,028	11,467
CF from Operations	**2,76,421**	**2,87,943**	**3,37,631**	**3,11,413**	**3,10,539**	**2,39,211**	**-2,03,209**	**4,23,317**	**5,36,897**	**6,14,320**
Others	-14,095	-11,925	-58,208	-19,104	-12,001	-38,509	3,84,496	58,732	0	0
CF from Operating incl EO	**2,62,326**	**2,76,018**	**2,79,423**	**2,92,309**	**2,98,538**	**2,00,702**	**1,81,287**	**4,82,049**	**5,36,897**	**6,14,320**
(Inc)/Dec in FA	-1,74,659	-2,09,786	-2,70,967	-3,84,045	-2,67,262	-3,05,270	-2,21,275	-3,34,379	-3,38,588	-2,14,600
Free Cash Flow	**87,667**	**66,232**	**8,456**	**-91,736**	**31,276**	**-1,04,568**	**-39,988**	**1,47,670**	**1,98,309**	**3,99,720**
(Pur)/Sale of Investments	-36,886	-11,649	68,115	-817	-33,322	924	-88,392	38,126	40,781	0
Others	-27,955	14,088	60,595	69,308	40,326	27,665	9,716	17,599	-9,771	-9,771
CF from Investments	**-2,39,500**	**-2,07,347**	**-1,42,257**	**-3,15,554**	**-2,60,258**	**-2,76,681**	**-2,99,951**	**-2,78,654**	**-3,07,578**	**-2,24,371**
Issue of Shares	67,956	0	984	1,245	21	98,932	4,62,270	7,000	0	0
Inc/(Dec) in Debt	14,252	-72,451	-1,17,833	9,353	40,073	1,05,883	-1,79,553	-1,18,162	-1,20,233	-2,22,256
Interest Paid	-37,620	-33,887	-32,890	-58,566	-44,041	-76,171	-1,09,993	-71,294	-1,67,679	-1,50,405
Dividend Paid	-6,735	-21,399	-15,304	-9,168	-32,652	-46,617	-18,263	-26,906	0	0
Others	-12,182	31,210	46,925	52,866	56,085	12,611	36,983	-43,713	0	0
CF from Fin. Activity	**25,671**	**-96,527**	**-1,18,118**	**-4,270**	**19,486**	**94,638**	**1,91,444**	**-2,53,075**	**-2,87,912**	**-3,72,662**
Inc/Dec of Cash	**48,497**	**-27,856**	**19,048**	**-27,515**	**57,766**	**18,659**	**72,780**	**-49,680**	**-58,593**	**17,288**
Opening Balance	1,311	39,575	-1,413	17,635	-9,880	41,309	53,793	1,30,539	90,630	41,807
Closing Balance	**49,808**	**11,719**	**37,087**	**12,817**	**47,886**	**62,121**	**1,35,507**	**80,859**	**32,036**	**59,095**
Less :- Bank overdraft	**10,233**	**13,132**	**-19,452**	**-22,697**	**-6,577**	**-8,328**	**-4,968**	**9,771**	**9,771**	**9,771**
Net Closing Balance	**39,575**	**-1,413**	**17,635**	**-9,880**	**41,309**	**53,793**	**1,30,539**	**90,630**	**41,807**	**68,866**

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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