

Best of both worlds

- Bharti's consolidated revenue/EBITDA grew by 4.3/5.3% QoQ; marginally above estimates led by beat in Africa. Operating performance was subdued in India wireless led by Covid with flat subscriber base QoQ and 5mn 4G additions (avg 14mn over Q2-Q4FY21). We believe this is transitionary. ARPU increased by modest ~0.6% QoQ. Performance was better than covid impacted Q1FY20. Jio reported 14mn net adds and flat ARPU QoQ.
- We see Bharti as a structural growth story for the next 4-5 years. This growth in our view will be a 2-phase process. In the first phase it would be a combination of subscriber growth and ARPU uptick (8-10% CAGR) over next 2-3 years. ARPU CAGR could be higher for a three-private player market structure to sustain. In parallel, we expect Bharti to capitalize on alternate revenue streams viz. FTTH, enterprise, content, payment, healthcare, education etc either in partnership with other players that ride on the telcos infrastructure or by competing them. Reiterate BUY with TP of Rs 758 @ 10/6x Jun-23E EV/EBITDA for India Wireless/Africa (vs. Rs 698 @ FY23E EV/E).

Operating and Financial highlights – Subdued but transitionary

Consolidated revenues were at Rs 268.5bn, +4.3% QoQ. EBITDA at Rs 129.8bn, +5.3% QoQ. Margin stood at healthy 48.3%. **India business** revenue at Rs 188.3bn was +2.7% QoQ and EBITDA at Rs 92.7bn is +3.4%. **India wireless business** revenue/EBITDA grew by 1.6/5.1% QoQ. ARPU at Rs 146 was +0.5% QoQ whereas subscribers were flat. Data usage at 19GB/mth grew by healthy 13.7/12.4% YoY/QoQ. **Africa** revenue/EBITDA grew by healthy +7.6/+8.3% QoQ.

Capex was Rs 66bn (India Rs 58bn) and Mobile business Rs 44bn. FY21 capex stood at Rs 242bn. **Operating FCF** (EBITDA less capex) was Rs 66bn and FCF ~Rs 45bn. **Net debt** stands at Rs 1.6tn viz. +Rs 11k QoQ due to acquisition of spectrum in auctions.

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	268,536	232,903	15.3	257,473	4.3
Total Expense	138,733	133,732	3.7	134,154	3.4
EBITDA	129,803	99,171	30.9	123,319	5.3
Depreciation	77,137	71,132	8.4	75,019	2.8
EBIT	52,666	28,039	87.8	48,300	9.0
Other Income	2,098	4,066	(48.4)	839	150.0
Interest	42,257	34,671	21.9	38,606	9.5
EBT	12,812	(120,022)	(110.7)	14,938	(14.2)
Tax	8,345	37,022	(77.5)	5,101	63.6
RPAT	9,414	(158,114)	(106.0)	15,111	(37.7)
APAT	9,414	(158,114)	(106.0)	15,111	(37.7)
			(bps)		(bps)
Gross Margin (%)	94.0	88.0	601	93.9	6
EBITDA Margin (%)	48.3	42.6	576	47.9	44
NPM (%)	3.5	(67.9)	7139	5.9	(236)
Tax Rate (%)	65.1	(30.8)	9598	34.1	3099
EBIT Margin (%)	19.6	12.0	757	18.8	85

CMP	Rs 574		
Target / Upside	Rs 758 / 32%		
NIFTY	16,131		
Scrip Details			
Equity / FV	Rs 27,278mn / Rs 5		
Market Cap	Rs 3,134bn		
	USD 42bn		
52-week High/Low	Rs 623/ 394		
Avg. Volume (no)	10,638,800		
Bloom Code	BHARTI IN		
Price Performance			
1M	3M	12M	
Absolute (%)	9	4	5
Rel to NIFTY (%)	6	(9)	(39)

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	56.2	56.2	55.9
MF/Banks/FIs	20.1	20.4	20.7
FII	17.8	18.6	18.1
Public / Others	5.9	4.9	5.4

Valuation (x)

	FY22E	FY23E	FY24E
P/E	71.1	25.8	14.2
EV/EBITDA	8.2	6.6	5.3
ROE (%)	7.3	17.5	25.6
RoACE (%)	8.0	10.1	12.7

Estimates (Rs mn)

	FY22E	FY23E	FY24E
Revenue	1,135,692	1,312,039	1,508,514
EBITDA	556,048	659,909	777,623
PAT	44,091	121,463	221,291
EPS (Rs.)	8.1	22.3	40.6

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Exhibit 1: Actual vs. Estimates

(Rs Mn)	Actual	Estimate	Var %	Remarks
Net Sales	2,68,536	2,63,474	1.9	Modest beat vs. estimates largely led by Africa
EBITDA	1,29,803	1,29,128	0.5	
EBITDA Margin (%)	48.3	49.0	(67 bps)	
PBT	17,454	16,708	4.5	

Source: DART, Company

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY22E			FY23E			Remarks
	Old	New	Chg %	Old	New	Chg %	
India Wireless							
Subscribers (Mn)	354	349	(1.5)	384	379	(1.4)	Reduction in ARPU estimates is to factor the delay in tariff hikes
ARPU (Rs)	158	153	(3.4)	174	170	(2.5)	
Revenue (Rs Bn)	639	614	(4.0)	770	740	(3.9)	
Consolidated							
Net Sales (Rs Bn)	1,132	1,136	0.3	1,279	1,312	2.6	We marginally increase estimates to factor Q1FY22 performance especially in Africa
EBITDA (Rs Bn)	554	556	0.4	632	660	4.4	
EBITDA Margin (%)	49.0	49.0	-4 bps	49.4	50.3	90 bps	
APAT (Rs Bn)	52	44	(14.6)	113	121	7.5	
AEPS (Rs)	9.5	8.1	(14.9)	20.7	22.1	6.8	

Source: DART, Company

Con-call Highlights

Drivers of subscriber growth

- Bharti's relentless focus on provide best-quality services at affordable prices through omni-channels, lower costs has been key. Bharti highlighted of gaining market share from competition. It also stated of its revenue market share being again at life-time high over 35%.

Tariff hikes

- Significant scope for growth of ARPU due to low tariffs and ~140mn low-ARPU 2G users.
- Bharti remains cognizant of industry need of higher ARPU of atleast Rs 200 and then Rs 300. But it is more of a competitive issue than affordability issue. Bucket of pricing is essential to drive the ARPUs.

Airtel Black

- One Airtel Plan that brings the mobile, DTH and broadband under one umbrella was launched was in beta platform six months ago. There were teething issues which have been fixed and the revamped plan has been launched as Airtel Black. Currently there are ~0.7mn customers under this plan with an average account level ARPU of Rs 650.

Home Broadband at the cusp of hyper-growth

- Post the tariff corrections in end Q2FY21, Bharti witnessed a healthy subscriber addition in Home broadband business with drop in ARPU. However, it envisages no further dilution in ARPU with healthy mix of customers across plans with Rs 799 being most attractive plan.

- Mgmt highlighted that its market share has increased from 23% in Dec'18 to 31% in Dec'20 as per Frost & Sullivan.
- Management expects to shutdown copper led broadband business in a year and switch to better-technology fiber route. No of cities reached increased significantly. It targets to reach ~2,000 cities in 3-4 years. Bharti would roll-out in top cities on its own and in-conjunction with cable partners in smaller cities.
- Airtel management highlighted that its target to reach ~35mn home passes in 3-4 years. Further, the costs of reaching out through LCO model is lower by 20-25%.

Airtel Enterprise – stupendous growth opportunity

- Core connectivity business is ~Rs 40kcr industry size. Non-connectivity business market size is even larger at ~Rs 50kcr. Non-connectivity business includes services like Cloud which has three parts – public cloud, private cloud, telco edge cloud, Cyber security, IOT etc. The enablers to capture the market are – GTM / channels to distribute, products expertise, features etc Airtel partners with the key players in the space with it bringing value additions, trusts, access to customers etc with a win-win proposition for all.
- Airtel management targets the non-wireless revenue piece to be a significant growth driver besides the core telecom business.
- Currently, 20% of the customer's account for 80% of revenues. There is significant opportunities for hunting (new customers) and farming (higher wallet share) of customers.
- With the intent of increasing the focus of Enterprise business, Airtel has in-housed its SME channel sales force vs. outsource model earlier.
- Airtel's market share has increased from ~23% in Dec'18 to 31% in Dec'20 as per Frost & Sullivan.

Spectrum

- Bharti expanded its foot-print in <1GHz band across circles in recent auctions. It also added a healthy quantum of capacity spectrum in 4G (1800/2300 MHz bands). Bharti has ~33% spectrum share on pan India basis.

DTH business outlook

- Contrary to West, Bharti sees strong growth opportunity in the DTH business. This is on account of low TV and C&S household penetration, low fixed-line broadband penetration, high costs of data and streaming services vs. significantly cheaper linear content. Streaming is a niche industry in India as dependent on broadband penetration and content pricing. Additionally, it also sees opportunity in conversion of digital/terrestrial cable customers to DTH due to inferior services from the former.
- Bharti is now strong number 2 player in DTH business. Market share increased from 18% in Dec'18 to 27% in Dec'20. It has gained highest market share amongst all the players.
- The decline in subscribers and revenue in Q4FY21 is transitional. Bharti witnessed healthy subscriber additions in Apr'21 reversing the loss of Q4FY21.

Capex

- FY22 capex to be similar to FY21 i.e. ~Rs 240bn. Composition of capex to change with higher amount being spent on transport network viz. broadband, enterprise (data center) as company gears up for 5G. 4G radio capex will begin to moderate. Non-wireless revenues and thus capex will be an important driver.

Exhibit 3: Consolidated Quarterly Financials

Rs Bn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	% YoY	% QoQ
Revenues	232.9	250.6	265.2	257.5	268.5	15.3	4.3
Access charges	28.0	29.2	30.6	15.6	16.2	(42.3)	3.3
Net revenue	204.9	221.4	234.5	241.8	252.4	23.2	4.4
License fees	20.8	22.4	23.0	25.0	26.5	27.4	5.8
Network costs	51.0	54.2	55.5	59.2	58.0	13.8	(2.0)
Employee Costs	10.7	10.2	10.3	10.0	10.3	(3.5)	3.6
SG&A	23.3	24.0	25.3	24.3	27.8	19.5	14.3
Total Opex	105.7	110.7	114.0	118.5	122.6	15.9	3.4
EBITDA	99.2	110.7	120.5	123.3	129.8	30.9	5.3
D&A	71.1	72.9	75.0	75.0	77.1	8.4	2.8
EBIT	28.0	37.8	45.5	48.3	52.7	87.8	9.0
Finance cost (net)	34.7	37.9	39.7	38.6	42.3	21.9	9.5
JV/Assc gain/(loss)	(1.1)	(2.9)	(2.2)	5.3	4.9	(562.2)	(6.2)
Other (inc)/exp	3.0	(1.9)	(1.7)	6.1	7.0	135.2	15.2
Profit before Tax	(3.6)	(2.0)	4.1	15.8	17.5	(580.1)	10.4
Tax expense	37.0	4.1	43.1	5.1	8.3	(77.5)	63.6
Xo (gain)/loss	117.5	0.5	45.6	(4.4)	(0.3)	(100.3)	(93.1)
PAT (after Xo)	(158.1)	(6.6)	(84.6)	15.1	9.4	(106.0)	(37.7)

Source: DART, Company

Exhibit 4: Margin Analysis (%)

Margin Analysis	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (bps)	QoQ (bps)
Access charges	12.0	11.7	11.6	6.1	6.0	(601)	(6)
License fees	8.9	8.9	8.7	9.7	9.9	94	14
Network costs	21.9	21.6	20.9	23.0	21.6	(29)	(140)
Employee costs	4.6	4.1	3.9	3.9	3.9	(75)	(3)
SG&A	10.0	9.6	9.6	9.4	10.4	36	90
Total Opex	45.4	44.2	43.0	46.0	45.6	25	(38)
EBITDA	42.6	44.2	45.5	47.9	48.3	576	44
D&A	30.5	29.1	28.3	29.1	28.7	(182)	(41)
EBIT	12.0	15.1	17.2	18.8	19.6	757	85
Finance costs	14.9	15.1	15.0	15.0	15.7	85	74
Profit before Tax	(1.6)	(0.8)	1.5	6.1	6.5	806	36
Net Income	(68.4)	(3.0)	3.2	2.9	1.1	6947	(189)

Source: DART, Company

Exhibit 5: Segment-wise Revenues

Rs Bn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	% YoY	% QoQ
Mobile	128.8	138.3	147.8	140.8	143.1	11.1	1.6
Home	5.8	5.9	5.7	6.0	6.5	12.9	8.7
Digital	7.4	7.5	7.9	7.7	8.1	8.7	5.5
Business	35.0	35.8	36.2	37.0	37.9	8.2	2.4
Others/Intersegment	(7.6)	(7.3)	(7.5)	(8.1)	(7.3)	(4.2)	(10.2)
India	169.4	180.2	190.1	183.4	188.3	11.1	2.7
South Asia	1.1	1.1	1.1	1.0	1.0	(12.5)	(3.1)
Africa	64.5	71.7	76.4	76.0	81.8	26.8	7.6
(-) Intersegment	(1.0)	(1.3)	(1.3)	(1.9)	(1.5)	49.1	(20.9)
Consolidated Total	232.9	250.6	265.2	257.5	268.5	15.3	4.3

Strong revenue growth across business segment especially Home BB, digital and Africa

Source: DART, Company

Exhibit 6: Segment-wise EBITDA

Rs Bn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	% YoY	% QoQ
Mobile	52.2	58.9	64.6	66.9	70.3	34.7	5.1
Home	3.5	3.4	3.2	3.3	3.2	(8.1)	(3.4)
Digital	5.0	5.4	5.3	5.1	5.4	7.5	6.2
Business	12.7	13.4	14.0	14.9	14.7	15.5	(1.2)
Others	(0.8)	(1.0)	(1.2)	(0.5)	(0.9)	12.9	83.2
India	72.7	80.0	85.9	89.7	92.7	27.6	3.4
South Asia	0.1	0.1	0.0	(0.1)	(0.1)	(212.7)	(9.0)
Africa	28.4	32.5	35.9	36.3	39.3	38.2	8.3
(-) Intersegment	(2.0)	(1.9)	(1.2)	(2.5)	(2.1)	3.8	(16.6)
Consolidated Total	99.2	110.7	120.5	123.3	129.8	30.9	5.3

Source: DART, Company

Exhibit 7: Margin Analysis

(%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (bps)	QoQ (bps)
Mobile	40.6	42.6	43.7	47.5	49.2	861	165
Home	60.7	58.3	57.2	58.8	58.1	(264)	(66)
Digital	67.7	70.9	66.3	68.3	68.5	83	21
Business	36.3	37.3	37.8	37.2	37.4	115	29
India	42.9	44.4	45.2	48.9	49.3	636	34
South Asia	9.0	10.4	3.7	(12.4)	(11.6)	(2067)	75
Africa	44.1	45.3	46.9	47.7	48.0	397	34
Blended	42.6	44.2	45.5	47.9	48.3	576	44

Source: DART, Company

Exhibit 8: India Opex trend

(Rs Bn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	% YoY	% QoQ
Access charges	23.2	24.0	24.8	11.2	10.6	(54.2)	(5.3)
License fees	16.3	17.9	19.0	19.6	21.3	31.2	9.0
Network costs	39.2	41.5	42.2	45.4	43.5	11.0	(4.3)
Cost of goods sold	1.0	1.0	1.2	1.4	1.7	74.0	25.1
Employee costs	5.9	5.0	5.4	5.2	5.4	(8.6)	3.9
SG&A expenses	12.3	11.8	12.6	12.0	14.0	13.9	16.4
Total	97.8	101.2	105.3	94.8	96.6	(1.2)	1.8

Source: DART, Company

Exhibit 9: Operating Performance

Decline in ARPU due to IUC abolition wef 1st Jan'21

	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	% YoY	% QoQ
India Wireless KPIs							
Customers (Mn)	279.9	293.7	307.9	321.4	321.2	14.8	0.0
Net Adds (Mn)	(3.8)	13.9	14.2	13.4	(0.1)	(96.4)	(101.0)
Churn (%)	2.2	1.7	1.9	2.2	2.8	59 bps	55 bps
Reported ARPU (Rs)	156.8	162.2	166.1	145.2	146.1	-6.8	0.6
Computed ARPU (Rs)	152.3	160.8	163.7	149.2	148.4	(2.6)	(0.5)
MOU/Subs	994	1,005	1,027	1,053	1,044	5.1	-0.8
MOUs (Bn mins)	820	861	925	997	1,002	22.2	0.5
Data KPIs							
Data subs (Mn)	149.1	162.2	174.7	188.6	192.9	29.4	2.3
- MBB	138.3	152.7	165.6	179.3	184.4	33.4	2.9
As % of Total	53.3	55.2	56.7	58.7	60.1	679 bps	136 bps
Total MBs (Mn GBs)	7,240	7,640	8,454	9,207	10,771	48.8	17.0
GBs/month	16.7	16.4	16.8	16.8	18.9	13.7	12.4
DTH							
Customers (Mn)	16.8	17.4	17.9	17.7	18.0	6.9	1.6
Net Adds (000s)	226	549	485	-156	282	25.1	-280.9
Churn (%)	1.3	1.5	1.4	2.2	1.4	3 bps	-80 bps
ARPU (Rs)	149	148	149	144	151	1.3	4.8
Africa							
Customers (Mn)	111.5	116.4	118.9	118.2	120.8	8.4	2.2
Net Adds (Mn)	0.9	4.9	2.5	-0.7	2.6	203.9	(466.2)
Churn (%)	5.7	5.3	5.0	3.9	3.6	(212 bps)	(26 bps)
ARPU (USD)	2.6	2.8	2.9	3.0	3.1	19.3	3.4
MOU/Subs	218	235	241	240	249	14.3	3.6
MOUs (Bn mins)	71.9	80.4	85.7	85.0	89.0	23.8	4.8

Source: Company, DART

Exhibit 10: Key Model Assumptions

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
India Wireless										
Subs (Mn)	226	251	274	304	278	284	321	349	379	409
Net Adds (Mn)	20.5	25.2	22.4	30.5	(25.8)	5.3	37.7	27.4	30.0	30.0
Implied ARPU (Rs)*	201	196	180	133	119	136	153	153	170	187
Like-to-Like Con. ARPU(Rs)	170	164	148	111	97	122	141	150	169	174
Revenue (Rs Bn)	520	561	566	463	416	460	556	614	740	883
Inc. Rev (Rs Bn)	53	41	5	(103)	(47)	44	96	58	127	143
EBITDA (Rs Bn)	195	219	228	151	94	170	243	312	394	487
Inc. EBITDA (Rs Bn)	37	25	8	(77)	(57)	75	73	69	82	93
EBITDA Margin (%)	37.5	39.1	40.3	32.6	22.7	36.9	43.7	50.9	53.2	55.2
Africa										
Subs (Mn)	76	75	80	89	99	111	118	125	131	137
Net Adds (Mn)	7	(2)	5	9	10	12	8	7	6	6
Implied ARPU (Rs)	308	278	236	196	198	193	210	231	239	248
Revenue (Rs Bn)	269	251	220	199	223	242	289	336	366	399
Incremental Rev (Rs Bn)	(3)	(18)	(32)	(20)	24	19	46	48	30	33
EBITDA (Rs Bn)	61	47	50	66	84	107	133	158	169	182
Inc. EBITDA (Rs Bn)	(10)	(14)	4	16	18	24	26	25	11	12
EBITDA Margin (%)	22.7	18.7	23.0	33.2	37.4	44.3	46.1	47.1	46.2	45.5
Revenue (Rs bn)										
India Wireless	520	561	566	463	416	460	556	614	740	883
Home Broadband	44	25	28	25	22	22	23	29	39	50
Digital	25	29	34	38	41	29	31	34	39	45
Enterprise	67	97	109	114	125	132	144	155	165	175
Passive Infra	54	56	61	66	68	34	0	0	0	0
Others	3	3	4	3	1	0	0	0	0	0
India Business	713	771	801	708	673	678	754	832	983	1,154
South Asia	16	16	12	4	4	5	4	4	4	4
Wireless - Africa	269	251	220	199	223	242	289	336	366	399
Gross revenues	998	1,039	1,033	912	900	924	1,047	1,172	1,353	1,557
(-) Intersegment	(62)	(57)	(66)	(73)	(80)	(57)	(32)	(35)	(41)	(49)
Net revenues	936	982	966	839	821	867	1,015	1,138	1,312	1,509
Intersegment %	6.2	5.5	6.4	8.0	8.9	6.2	3.0	3.0	3.1	3.1
EBITDA (Rs bn)										
India Wireless	195	219	228	151	94	170	243	312	394	487
Home Broadband	18	11	13	12	11	11	13	16	23	29
Digital	7	10	12	14	16	20	21	24	28	33
Enterprise	14	30	34	42	41	43	55	59	62	65
Passive Infra	26	26	29	33	32	19	0	0	0	0
Others	(6)	(7)	(12)	(14)	(15)	(10)	(4)	(3)	(3)	(3)
India Business	253	289	304	238	179	252	328	408	503	611
South Asia	(0)	(1)	0	0	0	0	0	(0)	(0)	(0)
Wireless - Africa	61	47	50	66	84	107	133	158	169	182
Gross EBITDA	314	336	354	304	263	360	461	566	672	793
(-) Intersegment	(2)	4	(1)	(3)	(5)	(5)	(8)	(10)	(12)	(15)
Net EBITDA	312	340	353	301	258	355	454	556	660	778
Intersegment %	0.8	(1.3)	0.3	1.1	1.8	1.4	1.7	1.7	1.8	1.9

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin %										
India Wireless	37.5	39.1	40.3	32.6	22.7	36.9	43.7	50.9	53.2	55.2
Home Broadband	40.7	42.5	47.2	46.7	48.3	50.4	57.6	56.2	58.2	58.2
Digital	27.3	34.2	35.6	37.9	38.3	68.3	68.0	71.1	72.4	72.4
Enterprise	20.9	31.3	31.0	37.4	32.6	32.2	38.2	37.8	37.4	37.4
Passive Infra	47.4	47.1	48.0	49.1	47.6	56.9	0.0	0.0	0.0	0.0
India Business	35.5	37.5	37.9	33.6	26.7	37.2	43.6	49.0	51.2	53.0
Wireless - Africa	22.7	18.7	23.0	33.2	37.4	44.3	46.1	47.1	46.2	45.5
Net EBITDA	33.3	34.6	36.6	35.9	31.5	40.9	44.7	48.9	50.3	51.5

Source: Company, DART * Implied ARPU is inclusive of IUC revenue collected by Bharti from other operators. Due to change in IUC termination rate (20paise/minute before Mar-15, 14paise from Mar15-Oct17, 6paise Oct17-Dec20 and nil thereafter), the implied ARPU is not comparable to that extent.

Exhibit 11: Valuation Summary - SOTP

Segments	Jun-23E EBITDA (Rs Bn)	Jun-23E EBITDA/ Share (Rs)	Multiple (X)	Enterprise Value (Rs Bn)	Value Per Share (Rs)
India Wireless	417.3	76.0	10.0	4,173	760
Telemedia services	24.2	4.4	7.0	170	31
Enterprise	62.5	11.4	7.0	438	80
DTH	29.5	5.4	7.0	207	38
Others*	(16.0)	(2.9)	10.0	(160)	(29)
IndAS 116 impact	(80.4)	(14.6)	10.0	(804)	(146)
Sub-total	437.2	79.6	9.2	4,023	732
(-) Net Debt excl IndAS 116 and Africa				(722)	(131)
Passive Infra**				183	33
India business value				2,728	634
Africa Plc**				247	45
Base case Value Per Share (Rs)				2,974	679
Incremental upside from positive industry developments*					79
Target Price Share (Rs)					758
CMP (Rs)					580
Upside/(Downside) %					30.7%

Source: DART, Company * Others include South Asia, Corporate costs etc; ** Passive Infra is basis Indus Tower TP of Rs 206 for Bharti's 41.7% holding; *** Africa valuation is as under. We haven't valued Africa as per the listed entity Mcap as it trades at ~4x EV/EBITDA

Exhibit 12: Valuation Summary - Africa

	Remarks
Africa EBITDA (Rs Bn)	172.5
IndAS 116 impact (Rs Bn)	14.7
Africa EBITDA net of IndAS impact (Rs Bn)	157.8
Target multiple (x)	6.0
Africa EV (Rs Bn)	946.7
(-) Net debt (Rs Bn)	306.2
Equity Value (Rs Bn)	640.5
Bharti holding (%)	55.0
Equity Value for Bharti (Rs Bn)	352.3
Hold Co discount (%)	30%
Africa Equity Value for Bharti (Rs Bn)	246.6
Value per share (Rs)	45

Source: DART, Company

Exhibit 13: Potential upside/downside from scenarios that may pan out

Scenarios	Impact/sh (Rs)	Probability (%)	Impact/sh (Rs)
Assuming Voda-Idea shut-down			
Upside from Idea subs (viz. 40% or 100mn)	200	20%	40
Value loss in Indus Tower	(50)	20%	(10)
Higher than expected ARPU by Rs 20 in FY24 viz. ~Rs 210	122	40%	49
Incremental impact	272		79

Source: DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Revenue	1,006,158	1,135,692	1,312,039	1,508,514
Total Expense	552,441	579,644	652,131	730,891
COGS	103,521	67,479	74,040	80,609
Employees Cost	41,146	43,422	47,183	50,953
Other expenses	407,774	468,744	530,908	599,329
EBIDTA	453,717	556,048	659,909	777,623
Depreciation	294,044	309,253	310,924	288,016
EBIT	159,673	246,794	348,985	489,607
Interest	150,910	156,687	134,748	114,551
Other Income	6,428	6,976	6,730	6,715
Exc. / E.O. items	(159,145)	305	0	0
EBT	(143,953)	97,388	220,967	381,770
Tax	89,325	42,461	82,061	137,191
RPAT	(253,652)	44,396	121,463	221,291
Minority Interest	19,446	28,376	30,935	33,492
Profit/Loss share of associates	(928)	17,845	13,492	10,203
APAT	(58,019)	44,091	121,463	221,291

Balance Sheet

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	27,278	27,278	27,278	27,278
Minority Interest	222,739	250,706	281,641	315,133
Reserves & Surplus	562,249	606,317	727,780	949,072
Net Worth	589,527	633,595	755,058	976,349
Total Debt	1,627,852	1,613,488	1,518,835	1,429,735
Net Deferred Tax Liability	174,964	161,451	183,087	208,302
Total Capital Employed	2,615,082	2,659,240	2,738,622	2,929,520

Applications of Funds

Net Block	2,292,061	2,417,279	2,339,110	2,283,977
CWIP	0	0	0	0
Investments	620,688	589,922	620,905	653,601
Current Assets, Loans & Advances	547,529	593,475	692,592	871,755
Inventories	0	0	0	0
Receivables	36,377	53,294	61,366	70,522
Cash and Bank Balances	175,442	199,464	285,745	448,348
Loans and Advances	0	0	0	0
Other Current Assets	335,710	340,717	345,481	352,884
Less: Current Liabilities & Provisions	845,196	941,436	913,985	879,812
Payables	278,721	323,582	298,462	275,292
Other Current Liabilities	566,475	617,853	615,523	604,520
<i>sub total</i>				
Net Current Assets	(297,667)	(347,961)	(221,393)	(8,057)
Total Assets	2,615,082	2,659,240	2,738,622	2,929,520

E – Estimates

Important Ratios

Particulars	FY21A	FY22E	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	89.7	94.1	94.4	94.7
EBIDTA Margin	45.1	49.0	50.3	51.5
EBIT Margin	15.9	21.7	26.6	32.5
Tax rate	(62.1)	43.6	37.1	35.9
Net Profit Margin	(25.2)	3.9	9.3	14.7
(B) As Percentage of Net Sales (%)				
COGS	10.3	5.9	5.6	5.3
Employee	4.1	3.8	3.6	3.4
Other	40.5	41.3	40.5	39.7
(C) Measure of Financial Status				
Gross Debt / Equity	2.8	2.5	2.0	1.5
Interest Coverage	1.1	1.6	2.6	4.3
Inventory days	0	0	0	0
Debtors days	13	17	17	17
Average Cost of Debt	9.7	9.7	8.6	7.8
Payable days	101	104	83	67
Working Capital days	(108)	(112)	(62)	(2)
FA T/O	0.4	0.5	0.6	0.7
(D) Measures of Investment				
AEPS (Rs)	(10.6)	8.1	22.3	40.6
CEPS (Rs)	43.3	64.8	79.3	93.4
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	108.1	116.1	138.4	179.0
RoANW (%)	(37.3)	7.3	17.5	25.6
RoACE (%)	2.9	8.0	10.1	12.7
RoAIC (%)	6.7	10.1	14.2	19.8
(E) Valuation Ratios				
CMP (Rs)	574	574	574	574
P/E	(54.0)	71.1	25.8	14.2
Mcap (Rs Mn)	3,133,679	3,133,679	3,133,679	3,133,679
MCap/ Sales	3.1	2.8	2.4	2.1
EV	4,586,089	4,547,704	4,366,770	4,115,066
EV/Sales	4.6	4.0	3.3	2.7
EV/EBITDA	10.1	8.2	6.6	5.3
P/BV	5.3	4.9	4.2	3.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	16.7	12.9	15.5	15.0
EBITDA	27.9	22.6	18.7	17.8
EBIT	96.9	54.6	41.4	40.3
PBT	(67.5)	(167.7)	126.9	72.8
APAT	86.3	(176.0)	175.5	82.2
EPS	86.3	(176.0)	175.5	82.2

Cash Flow

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	166,618	613,029	557,783	606,618
CFI	(307,620)	(417,219)	(242,101)	(240,363)
CFF	19,839	(171,788)	(229,401)	(203,651)
FCFF	(84,109)	178,557	325,028	373,735
Opening Cash	296,606	175,442	199,464	285,745
Closing Cash	175,442	199,464	285,745	448,348

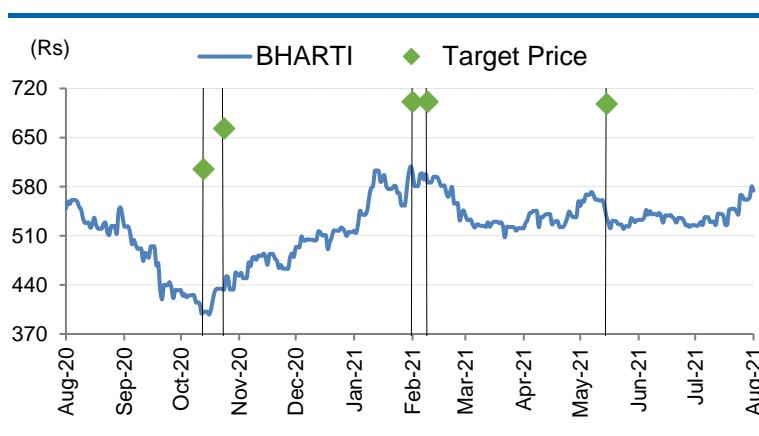
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-20	BUY	605	402
Oct-20	BUY	663	433
Feb-21	BUY	701	601
Feb-21	BUY	701	586
May-21	BUY	698	536

*Price as on recommendation date

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