

June 28, 2024

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,620		1,373	
Sales (Rs. m)	17,42,430	20,41,567	16,86,109	19,13,313
% Chng.	3.3	6.7		
EBITDA (Rs. m)	9,18,261	10,82,030	8,88,579	10,14,056
% Chng.	3.3	6.7		
EPS (Rs.)	29.3	32.7	26.3	30.0
% Chng.	11.3	9.2		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	1,391	1,500	1,742	2,042
EBITDA (Rs. bn)	713	783	918	1,082
Margin (%)	51.2	52.2	52.7	53.0
PAT (Rs. bn)	122	86	166	186
EPS (Rs.)	14.8	15.1	29.3	32.7
Gr. (%)	88.3	2.0	94.2	11.8
DPS (Rs.)	4.0	8.0	9.0	12.0
Yield (%)	0.3	0.6	0.6	0.8
RoE (%)	11.6	9.6	15.5	15.2
RoCE (%)	12.9	12.0	12.6	13.6
EV/Sales (x)	7.4	6.5	5.5	4.9
EV/EBITDA (x)	14.4	12.5	10.5	9.2
PE (x)	97.7	95.8	49.4	44.1
P/BV (x)	10.5	8.1	7.3	6.2

Key Data

BRTI.BO | BHARTI IN

52-W High / Low	Rs.1,539 / Rs.847
Sensex / Nifty	79,033 / 24,011
Market Cap	Rs.8,628bn/ \$ 1,03,472m
Shares Outstanding	5,691m
3M Avg. Daily Value	Rs.11079.4m

Shareholding Pattern (%)

Promoter's	54.57
Foreign	22.68
Domestic Institution	19.65
Public & Others	3.10
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.3	39.3	65.6
Relative	0.2	27.6	33.9

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Tariffs hiked by 10-20%

Quick Pointers:

- Bharti has regularly stated the need to increase ARPU to Rs300 industry wide to improve financial health of telecom operators in India
- Entry level tariffs hiked by less than Rs0.7/day to maintain affordability

Bharti Airtel has announced a tariff hike of 10-20% across its various plans, effective from 3rd July, 2024. This move follows a similar increase by its major competitor, Reliance Jio, and is aimed at bolstering revenue and sustaining the company's investments in network expansion and quality improvement. Factoring in this hike, we estimate ARPU change of 13%/14% to Rs236/269 for FY25/26E. We anticipate a subscriber addition of 16/20mn to 362/381 subs for FY25/26E. The Africa business is expected to remain under pressure due to currency devaluation, however we remain optimistic on the India business and continue to maintain 'Accumulate' rating with a TP of Rs1,620 (earlier TP Rs1373) based on 13x FY26 EV/EBITDA for India mobile business, Enterprise segment at 7x FY26 EV/EBITDA, 3x FY26 EV/EBITDA for DTH, 3x EV/EBITDA for Home Services, and adding the value of its investments in Airtel Africa, Indus Towers and Bharti Hexacom.

Prepaid plans hiked between 11-20%: Bharti hiked tariffs across its plans by 10-20% (against our estimate of 9-10%). The company has re-iterated the need to revise tariffs to enable substantial investments to enhance network expansion and improve return ratios. The new plans would come into effect from July 3, 2024. Prepaid plans have been hiked by 11-20%. Entry levels plans have been hiked by a modest 11-12% to ensure affordability for budget customers. The entry level plan of Rs179 with a validity of 28 days has been revised to Rs199. Two month plans have been hiked by 18-21% while three month plans have been hiked by 17-19%. The annual plan has been hiked by 20%. Similarly, post-paid plans have been revised by 10-20%.

Rs68.6bn worth of spectrum bought by Bharti: The latest round of telecom spectrum auction concluded on 26th June, 2024. Bharti purchased 97MHz of spectrum for Rs68.6bn in 900 MHz, 1800 MHz and 2100MHz frequency bands with a validity of 20 years. This will help the company to renew the spectrum that was expiring this year and purchase spectrum to enhance its mid-band spectrum holding across select circles to deliver seamless 4G and 5G services across the country.

Valuation: Factoring in this hike we build in a 13/14% hike in ARPU in FY25/26 to Rs236/269/month and 16/20mn subscriber addition to 362/381mn for the India mobile business. Given the much needed tariff hike undertaken by the company and acquisition of spectrum to enhance network coverage we remain positive on Airtel's India business. Maintain Accumulate rating with a TP of Rs1,620.

Exhibit 1: Valuation Table

Segment	Stake	Rs bn	Remarks
India mobile business	100%	9,081	13x FY26E EV/EBITDA
Airtel Africa	56%	197	25% holding discount
Enterprise segment	100%	830	7x FY26 EV/EBITDA
Stake in Indus tower	49%	372	25% holding discount
Stake in Bharti Hexacom	70%	295	25% holding discount
DTH	100%	64	3x FY26 EV/EBITDA
Home services	100%	144	3x FY26 EV/EBITDA
EV		10,983	
Net Debt		1,780	
Equity value		9,203	
Equity value/share (Rs)		1,620	

Source: Company, PL

Exhibit 2: Pre-paid plans

Bharti Prepaid Plans	MRP	Validity (days)	Benefit	Revised MRP	% change
Unlimited Voice Plans	179	28	2GB data, UL Calling, 100 SMS/day	199	11%
	455	84	6GB data, UL calling, 100SMS/day	509	12%
	1799	365	24GB data, UL calling, 100 SMS/day	1999	11%
Daily Data Plans	265	28	1GB/day, UL Calling, 100SMS/day	299	13%
	299	28	1.5GB/day, UL Calling, 100SMS/day	349	17%
	359	28	2.5GB/day, UL Calling, 100SMS/day	409	14%
	399	28	3Gb/day, UL Calling, 100SMS/day	449	13%
	479	56	1.5Gb/day, UL Calling, 100SMS/day	579	21%
	549	56	2GB/day, UL Calling, 100SMS/day	649	18%
	719	84	1.5GB/day, UL Calling, 100SMS/day	859	19%
	839	84	2GB/day, UL Calling, 100SMS/day	979	17%
	2999	365	2GB/day, UL Calling, 100SMS/day	3599	20%
Data Add-ons	19	1 day	1 GB	22	16%
	29	1 day	2 GB	33	14%
	65	Plan validity	4 GB	77	18%

Source: Company, PL

Exhibit 3: Post-paid plans

Monthly tariff	Revised MRP	% change
399 1 Connection; 40GB Data with roll-over, Unlimited Calling, 100 SMS/day, Xstream Premium Subscription	449	13%
499 1 Connection; 75GB Data with roll-over, Unlimited Calling, 100 SMS/day, Xstream Premium Subscription, Disney+Hotstar Subscription 12months, Amazon Prime Subscription 6months	549	10%
599 Family of 2 Connections; 105GB Data with roll-over, Unlimited Calling, 100 SMS/day, Xstream Premium Subscription, Disney+Hotstar Subscription 12months, Amazon Prime Subscription 6months, Wynk Premium	699	17%
999 Family of 4 connections; 190GB Data with roll-over, Unlimited Calling, 100 SMS/day, Xstream Premium Subscription, Disney+Hotstar subscription 12months, Amazon Prime Subscription 6months, Wynk Premium	1199	20%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	13,91,448	14,99,824	17,42,430	20,41,567
YoY gr. (%)	19.4	7.8	16.2	17.2
Cost of Goods Sold	-	-	-	-
Gross Profit	13,91,448	14,99,824	17,42,430	20,41,567
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	48,308	53,231	60,985	57,164
Other Expenses	78,794	86,618	80,152	81,663
EBITDA	7,12,735	7,82,918	9,18,261	10,82,030
YoY gr. (%)	23.9	9.8	17.3	17.8
Margin (%)	51.2	52.2	52.7	53.0
Depreciation and Amortization	3,64,318	3,95,376	4,78,625	5,87,224
EBIT	3,48,417	3,87,542	4,39,636	4,94,806
Margin (%)	25.0	25.8	25.2	24.2
Net Interest	1,92,999	2,26,477	2,49,125	2,71,546
Other Income	9,366	14,354	10,882	12,719
Profit Before Tax	1,64,784	1,26,790	2,01,393	2,35,979
Margin (%)	11.8	8.5	11.6	11.6
Total Tax	42,733	41,210	51,410	65,768
Effective tax rate (%)	25.9	32.5	25.5	27.9
Profit after tax	1,22,051	85,580	1,49,984	1,70,210
Minority interest	39,415	10,910	10,910	11,456
Share Profit from Associate	7,521	27,094	27,094	27,094
Adjusted PAT	1,22,051	85,580	1,66,168	1,85,849
YoY gr. (%)	93.6	(29.9)	94.2	11.8
Margin (%)	6.0	5.7	9.5	9.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,22,051	85,580	1,66,168	1,85,849
YoY gr. (%)	93.6	(29.9)	94.2	11.8
Margin (%)	6.0	5.7	9.5	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	83,459	85,580	1,66,168	1,85,849
Equity Shares O/s (m)	5,673	5,679	5,679	5,679
EPS (Rs)	14.8	15.1	29.3	32.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	24,55,160	26,74,492	28,08,217	29,48,628
Tangibles	24,55,160	26,74,492	28,08,217	29,48,628
Intangibles	-	-	-	-
Acc: Dep / Amortization	15,02,919	16,76,157	17,77,534	19,09,587
Tangibles	15,02,919	16,76,157	17,77,534	19,09,587
Intangibles	-	-	-	-
Net fixed assets	9,52,241	9,98,335	10,30,682	10,39,040
Tangibles	9,52,241	9,98,335	10,30,682	10,39,040
Intangibles	-	-	-	-
Capital Work In Progress	6,56,759	6,56,759	9,60,449	11,38,523
Goodwill	12,75,231	10,24,717	10,96,447	11,73,199
Non-Current Investments	6,93,272	7,00,746	3,67,341	7,67,271
Net Deferred tax assets	(20,762)	(20,762)	(20,762)	(22,838)
Other Non-Current Assets	3,13,816	3,13,816	3,13,816	3,13,816
Current Assets				
Investments	47,045	51,750	56,924	56,924
Inventories	2,576	2,576	2,576	2,576
Trade receivables	39,815	39,815	39,815	39,815
Cash & Bank Balance	1,34,186	8,03,903	9,22,030	6,15,254
Other Current Assets	1,29,243	1,42,167	1,56,384	1,72,022
Total Assets	44,66,332	49,78,948	52,15,265	56,14,121
Equity				
Equity Share Capital	28,366	28,366	28,366	28,366
Other Equity	7,47,263	9,84,319	10,99,372	12,85,221
Total Network	7,75,629	10,12,685	11,27,738	13,13,587
Non-Current Liabilities				
Long Term borrowings	20,23,981	21,72,373	21,57,874	21,92,754
Provisions	4,744	5,218	5,740	6,314
Other non current liabilities	1,029	1,132	1,245	1,370
Current Liabilities				
ST Debt / Current of LT Debt	2,36,222	2,50,198	2,50,198	2,59,844
Trade payables	3,28,946	3,65,645	4,18,355	4,93,948
Other current liabilities	6,54,470	7,06,303	7,63,319	8,26,037
Total Equity & Liabilities	44,66,332	49,78,948	52,15,265	56,14,121

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,65,607	1,26,790	2,28,487	2,63,073
Add. Depreciation	3,64,318	3,95,376	4,78,625	5,87,224
Add. Interest	1,92,999	2,26,477	2,49,125	2,71,546
Less Financial Other Income	9,366	14,354	10,882	12,719
Add. Other	6,698	75,723	-	-
Op. profit before WC changes	7,29,622	8,24,366	9,56,237	11,21,843
Net Changes-WC	9,45,835	3,84,428	49,005	1,39,760
Direct tax	(42,733)	(41,210)	(51,410)	(65,768)
Net cash from Op. activities	16,32,724	11,67,584	9,53,832	11,95,835
Capital expenditures	(11,29,700)	(1,95,684)	(5,49,965)	(12,47,014)
Interest / Dividend Income	-	-	-	-
Others	(4,131)	(2,747)	(3,022)	(3,324)
Net Cash from Inv. activities	(11,33,831)	(1,98,431)	(5,52,987)	(12,50,338)
Issue of share cap. / premium	38,213	1,32,098	-	68,153
Debt changes	3,26,303	1,62,368	(14,499)	(15,949)
Dividend paid	(22,693)	(45,435)	(51,115)	(68,153)
Interest paid	(1,92,999)	(2,26,477)	(2,49,125)	(2,71,546)
Others	-	-	-	-
Net cash from Fin. activities	1,48,825	22,554	(3,14,738)	(2,87,495)
Net change in cash	6,47,717	9,91,707	86,107	(3,41,998)
Free Cash Flow	3,98,407	7,26,114	5,10,767	5,32,346

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	3,74,400	3,70,438	3,78,995	3,75,991
YoY gr. (%)	14.1	7.3	5.9	4.4
Raw Material Expenses	-	-	-	-
Gross Profit	3,74,400	3,70,438	3,78,995	3,75,991
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	1,95,985	1,95,137	1,98,148	1,93,648
YoY gr. (%)	18.6	10.9	7.4	3.6
Margin (%)	52.3	52.7	52.3	51.5
Depreciation / Depletion	96,538	97,343	1,00,743	1,00,752
EBIT	99,447	97,794	97,405	92,896
Margin (%)	26.6	26.4	25.7	24.7
Net Interest	56,137	51,858	66,449	52,033
Other Income	3,483	3,304	4,398	3,169
Profit before Tax	12,630	33,537	34,052	19,477
Margin (%)	3.4	9.1	9.0	5.2
Total Tax	3,327	18,465	12,320	7,098
Effective tax rate (%)	26.3	55.1	36.2	36.4
Profit after Tax	9,303	15,072	21,732	12,379
Minority interest	(923)	7,525	4,342	(34)
Share Profit from Associates	5,899	5,860	7,032	8,303
Adjusted PAT	16,125	13,407	24,422	36,333
YoY gr. (%)	0.4	(37.5)	53.8	20.9
Margin (%)	4.3	3.6	6.4	9.7
Extra Ord. Income / (Exp)	-	-	-	(15,617)
Reported PAT	16,125	13,407	24,422	20,716
YoY gr. (%)	0.3	(37.5)	53.8	(31.1)
Margin (%)	4.3	3.6	6.4	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,125	13,407	24,422	20,716
Avg. Shares O/s (m)	5,673	5,673	5,673	5,673
EPS (Rs)	2.8	2.4	4.3	6.4

Source: Company Data, PL Research

Key Financial Metrics

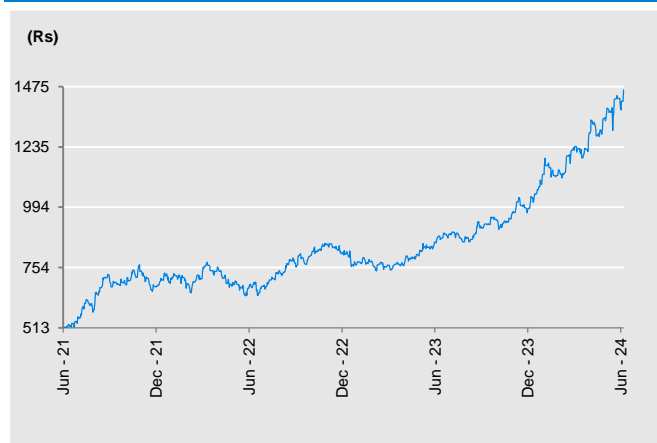
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	14.8	15.1	29.3	32.7
CEPS	79.3	84.7	113.5	136.1
BVPS	137.4	178.3	198.6	231.3
FCF	70.6	127.9	89.9	93.7
DPS	4.0	8.0	9.0	12.0
Return Ratio(%)				
RoCE	12.9	12.0	12.6	13.6
ROIC	8.1	9.4	10.4	10.0
RoE	11.6	9.6	15.5	15.2
Balance Sheet				
Net Debt : Equity (x)	2.7	1.5	1.3	1.4
Net Working Capital (Days)	(138)	(143)	(139)	(138)
Valuation(x)				
PER	97.7	95.8	49.4	44.1
P/B	10.5	8.1	7.3	6.2
P/CEPS	18.2	17.1	12.7	10.6
EV/EBITDA	14.4	12.5	10.5	9.2
EV/Sales	7.4	6.5	5.5	4.9
Dividend Yield (%)	0.3	0.6	0.6	0.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Subscribers (mn)	335	352	368	388
ARPU (Rs/mon)	192	209	236	269

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	16-May-24	Accumulate	1,373	1,310
2	09-Apr-24	Accumulate	1,269	1,204
3	06-Feb-24	Accumulate	1,225	1,134
4	09-Jan-24	Accumulate	1,088	1,047
5	03-Nov-23	Accumulate	993	924
6	06-Oct-23	Accumulate	936	926
7	04-Aug-23	Accumulate	935	890
8	06-Jul-23	BUY	923	870

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	239	211
3	Bajaj Auto	Hold	9,984	9,632
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	Accumulate	831	765
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	170	213
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	3,250	2,929
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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