

Bharti Airtel

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Shareholding (%)

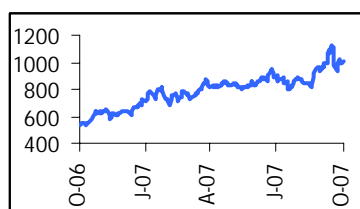
Foreign Promoter	20.6
Indian Promoter	45.3
FII's	24.5
MFs	2.6
Others	7.0

Share price performance

52-week high/low (Rs)	1184/525		
	-1m	-3m	-12m
Abs (%)	7.1	11.7	89.9
Rel* (%)	-10.4	-18.6	32.3

*to Nifty

Stock chart



Another quarter of good performance

As has been the trend, Bharti Airtel Ltd. (BAL) put in another quarter (Q2FY08) of good performance, with 59.5% YoY and 10.7% QoQ growth in EBITDA and 71% YoY increase in EPS. During the quarter, the company has added 6.3mn subscribers, which is the highest ever net addition of subscribers in a single quarter. Looking at the growth prospects of the telecom industry and BAL being a leader, we expect the company to derive maximum benefit.

- ▲ BAL's subscriber base has reached 50mn mark in October FY08. The company has market share of 23.4% in mobile telephony as on September 2007. Its subscriber base has increased by 80.6% YoY, from 27mn in Q2FY07 to 48.8mn in Q2FY08. The company's population coverage has increased to 65% in September 2007 as compared to 62% in June 2007. The company's plan to cover more than 70% of the population by March FY08 is on track.
- ▲ BAL plans to allocate about US\$3.5bn towards capex in FY08 as compared to roughly US\$2bn in FY07. It has incurred US\$1bn capex in Q2FY08.
- ▲ The company's revenue increased to Rs63.3bn in Q2FY08 as compared to Rs59bn in Q1FY08 and Rs43.5bn in Q2FY07, which are 7.3% QoQ and 45.4% YoY growth respectively. The blended ARPU for Q2FY08 has dip 6% QoQ to Rs366 and MOU has also fallen to 469 minutes in Q2FY08 from 478 minutes in Q1FY08.
- ▲ BAL's EBITDA margin improved from 41.4% in Q1FY08 to 42.8% in Q2FY08. The company is confident of maintaining its EBITDA margin at current level on the expectation of lower operational cost, mainly driven by better economies of scale, supported by a rapidly growing subscriber base.
- ▲ The company is planning to launch IPTV by December 2008 in the NCR (Delhi) region and Dish TV in the Q4 FY08. BAL has also got licence and spectrum for telecom operations in Sri Lanka and planned to roll out by Q1 FY09.

Buy

Rs1007

31 October 2007

Market cap

Rs bn 1,911

US\$ bn 48

Avg 3m daily volume

1,907,850

Avg 3m daily value

USD mn 44

Shares outstanding (mn)

1,899

Reuters/Bloomberg

BRTI.BO/BHARTI IN

NSE/BSE

BHARTIARTL

Sensex

19,838

Nifty

5,901

YE	Sales	YoY	EBITDA	YoY	NP	EPS	YoY	PE	EV/EBITDA	PSR	PBR	RoE	RoCE	DPS
March	(Rs m)	(%)	(Rs m)	(%)	(Rs m)	(Rs)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(Rs)
FY2006	116,607	45.13%	43,567	44.89%	22,502	11.9	55.31%	84.5	44.2	16.3	23.6	28.20%	28.50%	0
FY2007	185,196	58.82%	74,508	71.02%	42,571	21.4	89.19%	47.0	26.3	10.2	17.1	37.40%	28.20%	0
FY2008E	284,152	53.43%	115,813	55.44%	61,959	32.7	45.54%	30.8	16.8	6.7	11.9	38.70%	34.80%	0
FY2009E	390,804	37.53%	159,548	37.76%	89,344	47.1	44.20%	21.4	12.0	4.9	7.0	38.60%	38.70%	3

Bharti Airtel

▲ BAL registered an EPS of Rs 16.4 for H1FY08 and on our full year EPS estimate of Rs33 for FY08 and Rs47 for FY09, the stock trades at 30.8x FY08E and 21.4x FY09E. Given the company's healthy performance and its ability to continue with the same, we maintain 'Buy' rating on the stock.

Table 1. Quarterly result table

Rs mn	Q2FY08	Q2FY07	YoY (%)	Q1FY08	QoQ (%)
Subscriber analysis (eop, '000)					
GSM	48,876	27,061	80.61%	42,704	14.45%
as a % of total subs	95.93%	94.31%		95.59%	
Fixed	2,075	1,631	27.20%	1,972	5.22%
as a % of total subs	4.07%	5.69%		4.41%	
Total subscribers (eop, '000)	50,951	28,693	77.57%	44,676	14.04%
Revenue analysis					
Mobility	50,579	33,022	53.17%	46,976	7.67%
as a % of gross rev	70.62%	67.36%		71.33%	
Fixed	7,023	5,244	33.92%	6,513	7.83%
as a % of gross rev	9.81%	10.70%		9.89%	
Long distance + Enterprise	10,048	8,362	20.16%	9,210	9.10%
as a % of gross rev	14.03%	17.06%		13.99%	
Corporate + Others	3,969	2,397	65.58%	3,156	25.76%
as a % of gross rev	5.54%	4.89%		4.79%	
Revenue (gross)	71,619	49,025	46.09%	65,855	8.75%
Less: intersegment eliminations	-8,245	-5,454	51.17%	-6,808	21.11%
as a % of gross rev	-11.51%	-11.12%		-10.34%	
Revenue (net)	63,374	43,571	45.45%	59,047	7.33%
Access and interconnection charges	9,317	7,190	29.58%	9,071	2.71%
as a % of rev (net)	14.70%	16.50%		15.36%	
Licence fees	6,281	3,886	61.63%	5,827	7.79%
as a % of rev (net)	9.91%	8.92%		9.87%	
Equipment costs	206	-48		184	
as a % of rev (net)	0.33%	-0.11%		0.31%	
Ntwk op costs	7,520	5,228	43.84%	6,824	10.20%
as a % of rev (net)	11.87%	12.00%		11.56%	
Employee costs	3,745	2,908	28.78%	3,512	6.63%
as a % of rev (net)	5.91%	6.67%		5.95%	
SGA expenses	9,343	7,505	24.49%	9,271	0.78%
as a % of rev (net)	14.74%	17.22%		15.70%	
Total op exps	36,412	26,669	36.53%	34,689	4.97%
EBITDA	26,962	16,902	59.52%	24,358	10.69%
EBITDA margin (%)	42.54%	38.79%		41.25%	
Other income	605	320	89.06%	809	-25.22%
Interest Income	141	30	370.00%	5,077	-97.22%
Interest & Finance costs	1,267	618	105.02%	3,325	-61.89%
Pre-op & Non-op costs	42	47	-10.64%	6	600.00%
Depr and Amrtzn	8,927	5,805	53.78%	8,011	11.43%
PBT	17,472	10,782	62.05%	18,902	-7.57%

Bharti Airtel

Income tax	1,135	1,378	-17.63%	3,594	-68.42%
Eff tax rate (%)	6.50%	12.78%		19.01%	
Minority interest	197	66	198.48%	191	3.14%
PAT	16,140	9,338	72.84%	15,117	6.77%
PAT margin (%)	25.47%	21.43%		25.60%	
EPS (Rs) - Quarterly	8.51	4.99	70.75%	7.97	6.77%

Source: IISL research, company

Table 2. Granular analysis

REV DRIVER analysis	Q2FY08	Q2FY07	% YoY	Q1FY08	% QoQ
GSM Cellular Mobile					
Subs - Total (eoy, '000)	48,876	27,061	80.61%	42,704	14.45%
ARPU - Blended GSM (Rs/month/sub)	366	438	-16.39%	390	-6.19%
Fixed					
Subs - Fixed eoy ('000)	2,075	1,631	27.20%	1,972	5.22%
ARPU - Fixed (Rs/month/sub)	1,150	1,115	3.13%	1,121	2.59%

REVENUE analysis (Rs m)	Q2FY08	Q2FY07	% YoY	Q1FY08	% QoQ
Cellular	50,579	33,022	53.17%	46,976	7.67%
as a % of rev (gross)	70.62%	67.36%		71.33%	
as a % of rev (net)	79.81%	75.79%		79.56%	
Fixed+Broadband	7,023	5,244	33.92%	6,513	7.83%
as a % of rev (gross)	9.81%	10.70%		9.89%	
as a % of rev (net)	11.08%	12.04%		11.03%	
NLD+ILD+Enterprise	10,048	8,362	20.16%	9,210	9.10%
as a % of rev (gross)	14.03%	17.06%		13.99%	
as a % of rev (net)	15.86%	19.19%		15.60%	
Corporate + Others	3,969	2,397	65.58%	3,156	25.76%
Revenue (gross)	71,619	49,025	46.09%	65,855	8.75%
Less: Intersegment transac.	-8,245	-5,454	51.17%	-6,808	21.11%
as a % of rev (net)	-13.01%	-12.52%		-11.53%	
Revenue (net)	63,374	43,571	45.45%	59,047	7.33%

EBITDA analysis (Rs m)	Q2FY08	Q2FY07	% YoY	Q1FY08	% QoQ
Cellular	20,728	12,179	70.19%	19,087	8.60%
Margin - Cellular	40.98%	36.88%		40.63%	
Fixed+Broadband	2,790	1,069	160.99%	2,100	32.86%
Margin - Fixed+Broadband	39.73%	20.39%		32.24%	
NLD+ILD+Enterprise	3,462	3,367	2.82%	3,169	9.25%
Margin - NLD+ILD+Enterprise	34.45%	40.27%		34.41%	
Corporate + Others	538	561	-4.10%	521	3.26%
Inter-segment eliminations	-421	-151		-410	
Total EBITDA	27,097	17,025	59.16%	24,467	10.75%
Total EBITDA margin (%)	42.76%	39.07%		41.44%	

Source: IISL research, company

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