



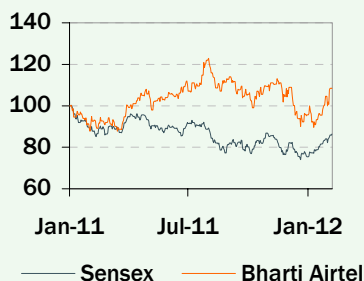
# Bharti Airtel

 Relative to sector: **Outperformer**
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**Relative Performance**


Source: Bloomberg, ENAM Research

**Stock data**

No. of shares	: 3,797 mn
Market cap	: Rs. 1,344 bn
52 week high/low	: Rs 445/ Rs 309
Avg. daily vol. (6mth)	: 6.1 mn shares
Bloomberg code	: BHARTI IB
Reuters code	: BRTI.BO

**Shareholding (%) Dec-11 QoQ chg**

Promoters	: 68.5	0.2
FIs	: 17.5	0.4
MFs / UTI	: 3.8	(0.4)
Banks / FIs	: 4.4	(0.2)
Others	: 5.8	(0.0)

<sup>^</sup> RPM: Revenue Per Minute

**Financial summary**

Y/E Mar	Sales (Rs mn)	EBITDA (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2010	418,472	167,633	91,638	-	24.2	8	-	24.1	23.5	-
2011	594,672	203,002	63,110	-	16.6	(35)	-	13.1	12.9	-
2012E	719,347	237,734	44,727	15.2	11.8	(25)	30.1	8.5	10.1	7.5
2013E	844,661	289,907	74,657	24.8	19.7	67	18.0	13.0	14.0	5.7

Source: \*Consensus broker estimates, Company, ENAM Research

## INCORPORATING LOWER VOLUME GROWTH

Positives from Bharti's Q3 include (a) better pricing in India (RPM<sup>^</sup> up ~3% QoQ vs. our estimate of 1% QoQ) and (b) Africa turning marginally FCF positive. However, lower volume growth (in both India & Africa) was the key disappointment. Management emphasized higher focus on sustaining/ increasing revenue market share. We will watch the following for evidence: (1) subs additions - especially wins from new operators and additions in higher ARPU Metros and Circle A and (2) improvement in Africa subs addns (Q3 saw challenges in Nigeria, DRC –elections etc).

**Change in estimates: Incorporating lower minutes, higher RPM**

- **India wireless:** We reduce our total MoUs for FY13E by 2.5% to 960 bn minutes, but raise our RPMs by ~0.6% leading to ~10% YoY increase in 2G wireless revenue in FY13E.
- **Africa business:** We reduce our total MoUs for FY13E by 3.5% to 99 bn minutes.
- **Consolidated EBITDA:** Q3 entailed one-time expenses with respect to branding and sponsorship on various events like Formula One etc. Hence, we expect margin to improve in coming quarters. However, lower MoU growth translates into 22% YoY growth in EBITDA (vs. 26% earlier) in FY13E.

**Africa capex** reduced marginally to USD 1.3 - 1.4 bn (vs. USD 1.4 - 1.5 bn earlier), while India capex remains at ~USD 2 bn. Africa depreciation had one-time element of USD 50 mn due to restating of useful lives of assets.

**Valuation:** We arrive at our revised SoTP-based target price of Rs 471 (implied FY13E consol target EV/EBITDA of ~8.3x) vs. Rs 517 earlier, factoring in decline in consol EBITDA by ~5% and higher net debt. Maintain **BUY**. **Note:** Regulatory uncertainty could deduct a maximum of up to Rs 94. However, this amount is likely to reduce as new lower 2G auction prices may replace current benchmarks. **Risk:** Higher negative elasticity in India wireless biz.

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-11	Dec-10	% Chg	Sep-11	% Chg	Mar-12E	Mar-11	% Chg
<b>Net Sales</b>	<b>185,078</b>	<b>157,560</b>	<b>17.5</b>	<b>172,764</b>	<b>7.1</b>	<b>719,347</b>	<b>594,672</b>	<b>21.0</b>
<b>EBIDTA</b>	<b>59,584</b>	<b>53,211</b>	<b>12.0</b>	<b>58,151</b>	<b>2.5</b>	<b>237,734</b>	<b>203,002</b>	<b>17.1</b>
Other income	0	(3,139)	-	0	-	0	1,128	-
<b>PBITD</b>	<b>59,584</b>	<b>50,072</b>	<b>19.0</b>	<b>58,151</b>	<b>2.5</b>	<b>237,734</b>	<b>204,130</b>	<b>16.5</b>
Depreciation	35,845	27,107	32.2	31,839	12.6	134,896	102,066	32.2
Interest	7,877	7,470	5.4	11,186	(29.6)	35,498	21,814	62.7
Other expenditure	164	0	-	(44)	-	0	0	-
<b>PBT</b>	<b>15,698</b>	<b>15,495</b>	<b>1.3</b>	<b>15,170</b>	<b>3.5</b>	<b>67,340</b>	<b>80,250</b>	<b>(16.1)</b>
Tax	5,585	3,366	65.9	4,900	14.0	22,427	17,790	26.1
Minority Interest	0	0	-	0	-	(186)	(798)	-
<b>Adjusted PAT</b>	<b>10,113</b>	<b>12,129</b>	<b>(16.6)</b>	<b>10,270</b>	<b>(1.5)</b>	<b>44,727</b>	<b>63,110</b>	<b>(29.1)</b>
Extra ordinary income/ (exp.)	0	0	-	0	-	0	(3,395)	-
<b>Reported PAT</b>	<b>10,113</b>	<b>12,129</b>	<b>(16.6)</b>	<b>10,270</b>	<b>(1.5)</b>	<b>44,727</b>	<b>59,715</b>	<b>(25.1)</b>
No. of shares (mn)	3,798	3,798	-	3,798	-	3,798	3,798	-
<b>EBIDTA margins (%)</b>	<b>32.2</b>	<b>33.8</b>	<b>(158) bps</b>	<b>33.7</b>	<b>(147) bps</b>	<b>33.0</b>	<b>34.1</b>	<b>(109) bps</b>
<b>PBITD margins (%)</b>	<b>32.2</b>	<b>31.8</b>	<b>41 bps</b>	<b>33.7</b>	<b>(147) bps</b>	<b>33.0</b>	<b>34.3</b>	<b>(128) bps</b>
<b>EPS - quarter (Rs.)</b>	<b>2.7</b>	<b>3.2</b>	<b>(16.6)</b>	<b>2.7</b>	<b>(1.5)</b>	<b>11.8</b>	<b>16.6</b>	<b>(29.1)</b>

Source: Company, ENAM Research;

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