

# CASH CARD

India's telecom sector is on a fast track, and Airtel is a leading stock, unlikely to sell at a discount in the near future

room for many more phones. Airtel has emerged the clear winner in the race, with over 21.4 per cent market share. It is well placed to cash in on its leadership.

## COMPANY PROFILE

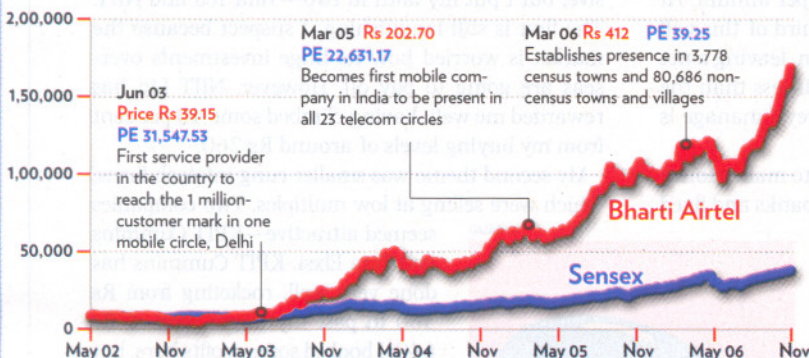
Airtel has 27.24 million customers, mostly GSM cell phone users. Its 35,000-km high-speed optic fibre network covers all our major cities; two landing stations in Chennai connect clients to the rest of the world through submarine cable systems—i2i to Singapore and SEA-ME-WE-4 to Europe. It recently announced a tie-up with Microsoft to offer Windows Mobile 5.0 technology, targeted at four million small and medium enterprises. It is also investing over \$100 million to deliver innovative products and services, including games on demand for broadband users.

## FINANCIALS

Bharti Airtel's second quarter numbers beat expectations. Revenue was up 61 per cent at Rs 4,357 crore (year-on-year), and profit after tax was up 79 per cent at Rs 934 crore. Clearly, the company was able to reap higher margins. This points to a business model which scales up efficiently, and makes it expensive for competition to undercut its pricing. Currently priced at 44 times earnings, Bharti Airtel is more expensive than the Sensex, which trades at PE of 22.37. However, look at other leading stocks in the BSE TECK index (comprising telecom, IT and media stocks). Reliance Communications is priced at 117 times earnings, Zee at almost 300, and TV18 at 187 times. Compared to them, Bharti Airtel seems to have a lot of upside. **II**

**RAJESH KUMAR**

Face value: Rs 10; Market capitalisation: Rs 1,20,867 crore; Beta: 0.86%



Rs 10,000 invested in Bharti Airtel in May 02 is worth Rs 1,96,608.18 today against Rs 40,544.54 returned by a similar investment in the Sensex.

## Performance

	MAR 04	MAR 05	MAR 06
Revenue (Rs Cr)	5,037	8,156	11,725
EBITDA (Rs Cr)	1,705	3,066	4,225
Net profit (Rs Cr)	584	1,212	2,028
EBITDA margins (%)	34	37.6	36
Net profit margin (%)	11.6	15.0	17.3
EPS (Rs)	3.15	6.53	10.78

## WHYBUY

**FOURTH** most valuable company on the Indian stockmarkets

**MARKET** leader with 21.4 per cent market share

**STRONG** numbers in Q2

**H**aving crossed Rs 600 on 20 November, Bharti Airtel is now the fourth most valued company on the stockmarkets, replacing NTPC. The stock gained 25 per cent in the past one month, the highest growth among Sensex stocks. Does the scrip have

more steam left?

Over the last five years, telecom growth in India has been explosive. Yet, tele-density is still only 15.44 per 100 people (September 2006) compared to USA's 60 and China's 23. With the economy growing at over eight per cent per annum, there's clearly