

Bharti Airtel

Revenue, EBITDA in line, PAT below our estimates

Revenue in line with expectations: Bharti Airtel's revenue of Rs 90.2bn and EBITDA of Rs 37bn for Q2FY09 is in line with our estimates. However, its PAT is short of our expectations due to a higher-than-expected forex loss of Rs 5.9bn, which was partly off-set by a deferred tax write-back of Rs 3bn.

Higher-than-expected fall in ARPU: During Q2FY09, the mobile segment revenue (81% of the net revenue) increased by 5.3% against the overall revenue growth of 6.3%, due to a higher-than-expected fall in ARPU to Rs 331 (against our expectation of Rs 339). Bharti's monthly net additions of 2.6 mn in H109 (against our estimate of 2.5 mn) provide a cushion for the higher-than-expected fall in ARPU. The shortfall in mobile segment revenue was made up by higher revenue growth of 25.6% QoQ in the corporate enterprise segment, as key account projects were completed during the quarter.

EBITDA growth lower than revenue growth: The EBITDA growth of 5% was lower than revenue growth due to an increase of 16.8% in the network cost, which resulted in a 150-bps decline in the margin. The increase in network cost was due to high fuel charges resulting from a diesel price increase and increasing roll-out of networks in rural India where SEB electricity connection is delayed. The decline in the margin was off-set by a fall of 103bps in SG&A expenses due to optimization of cost and channel margins.

Forex loss of Rs 5.9bn notional: Bharti's reported forex loss of Rs 5.9bn against Rs 1.5bn in the previous quarter is more notional in nature under the USGAAP accounting where the company needs to mark down even on hedged positions. The forex loss was off-set by a deferred tax write-back of Rs 3bn due to MAT credit and deferred tax income.

Marginally downsize estimates: We are marginally downsizing our revenue and earnings estimates to factor in the ARPU fall, maintaining our subscriber estimates. We have also revised our target EV/EBITDA multiple from 9.5x to 8.5x. Including the tower company stake, we have a revised target price of Rs 940 against Rs 1,055 previously. We maintain our Buy rating.

Actual vs. estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	90,200	91,583	(1.5)
EBITDA	36,993	38,005	(2.7)
EBITDA margin (%)	41.0	41.5	(49 bps)
Adj net income	20,460	21,881	(6.5)

Financial highlights

(Rs mn)	FY07	FY08	FY09E	FY10E
Revenue	185,195	270,251	375,632	465,914
Growth (%)	59.4	45.9	39.0	24.0
Adj net income	42,574	67,009	87,980	106,938
Growth (%)	88.7	57.4	31.3	21.5
FDEPS (Rs)	22.4	35.3	46.3	56.3
Growth (%)	88.7	57.4	31.3	21.5

Profitability and return ratios

(%)	FY07	FY08	FY09E	FY10E
EBITDA margin	40.2	42.1	40.7	39.8
EBIT margin	26.6	28.3	28.3	27.8
Adj PAT margin	23.0	24.8	23.4	23.0
ROE	37.4	37.4	31.1	26.9
ROIC	21.8	23.9	26.1	26.3
ROCE	26.8	27.2	26.2	23.9

Results Review

3 November 2008

What's New? Target Rating Estimates

CMP	TARGET	RATING	RISK
Rs 649	Rs 940	BUY	MEDIUM

BSE	NSE	BLOOMBERG
533454	BHARTIARTL	BHARTI IN

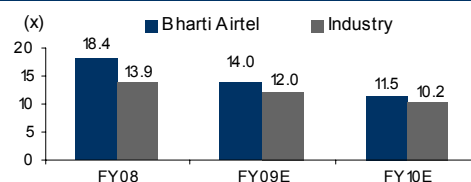
Company data

Market cap (Rs bn / US\$ mn)	1,232 / 25,137
Outstanding equity shares (mn)	1,899
Free float (%)	31.1
Dividend yield (%)	-
52-week high/low (Rs)	1,070 / 483
2-month average daily volume	6,809,954

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Idea	48	(42.2)	(45.5)	(56.4)
Sensex	10,170	(27.3)	(27.9)	(39.4)

P/E comparison



Valuation matrix

(x)	FY07	FY08	FY09E	FY10E
P/E @ CMP	28.9	18.4	14.0	11.5
P/E @ Target	42.1	26.8	20.4	16.8
EV/EBITDA @ CMP	16.0	10.5	7.8	6.4



Result highlights

Quarterly performance

(Rs mn)	Q2FY09	Q1FY09	Var QoQ	Q2FY08	Var YoY	Comments
Revenue	90,203	84,833	6.3	63,374	42.3	• Revenue growth of 6.3% during Q2FY09 is the lowest in the past couple of years, yet strong on a higher base effect and as September is a seasonally slow quarter for the industry.
Access cost	12,902	12,426	3.8	9,317	38.5	
<i>% of revenue</i>	<i>14.3</i>	<i>14.6</i>	(34 bps)	<i>14.7</i>	(40 bps)	• EBITDA margin declined by 51 bps during Q2FY09 due to higher network cost, which was partly off-set by lower SG&A expenses. Higher network cost was due to increased fuel cost; lower SG&A expenses were due to cost optimization, especially of the channel margins.
License cost	9,096	8,532	6.6	6,281	44.8	
<i>% of revenue</i>	<i>10.1</i>	<i>10.1</i>	3 bps	<i>9.9</i>	17 bps	• EBIT growth of 1.1% against 5% EBITDA growth due to 15% QoQ increase in depreciation charges on account of the ongoing capex expansion.
Network cost	14,392	12,324	16.8	7,520	91.4	
<i>% of revenue</i>	<i>16.0</i>	<i>14.5</i>	143 bps	<i>11.9</i>	409 bps	• Forex loss (part of finance charges) of Rs 5.9bn due to adverse rupee movement (~Rs3.5 / US\$) during the quarter and mark-down on hedged financial instruments under the USGAAP accounting.
Staff cost	4,209	3,967	6.1	3,745	12.4	
<i>% of revenue</i>	<i>4.7</i>	<i>4.7</i>	(1 bps)	<i>5.9</i>	(124 bps)	• Negative tax expense during the quarter due to deferred tax write-back of Rs 3bn on account of MAT credit and deferred tax income.
SG & A	12,022	12,178	(1.3)	9,208	30.6	
<i>% of revenue</i>	<i>13.3</i>	<i>14.4</i>	(103 bps)	<i>14.5</i>	(120 bps)	• Other income lower due to increase in minority interest and higher non-operating expenses.
Others	589	185	218.4	206	185.9	
<i>% of revenue</i>	<i>0.7</i>	<i>0.2</i>	43 bps	<i>0.3</i>	33 bps	
Total Cost	53,210	49,612	7.3	36,277	46.7	
<i>% of revenue</i>	<i>59.0</i>	<i>58.5</i>	51 bps	<i>57.2</i>	175 bps	
EBITDA	36,993	35,221	5.0	27,097	36.5	
<i>% of revenue</i>	<i>41.0</i>	<i>41.5</i>	(51 bps)	<i>42.8</i>	(175 bps)	
Depreciation	11,549	10,045	15.0	9,062	27.4	
<i>% of revenue</i>	<i>12.8</i>	<i>11.8</i>	96 bps	<i>14.3</i>	(150 bps)	
EBIT	25,444	25,176	1.1	18,035	41.1	
<i>% of revenue</i>	<i>28.2</i>	<i>29.7</i>	(147 bps)	<i>28.5</i>	(25 bps)	
Finance income/(cost) (net)	5,741	1,832	213.4	1,126	409.9	
<i>% of revenue</i>	<i>6.4</i>	<i>2.2</i>	420 bps	<i>1.8</i>	459 bps	
Profit before tax	19,703	23,344	(15.6)	16,909	16.5	
<i>% of revenue</i>	<i>21.8</i>	<i>27.5</i>	(568 bps)	<i>26.7</i>	(484 bps)	
Tax	(1,247)	3,282	(138.0)	1,135	(209.9)	
<i>% of revenue</i>	<i>(1.4)</i>	<i>3.9</i>	(525 bps)	<i>1.8</i>	(317 bps)	
<i>% of PBT</i>	<i>(6.3)</i>	<i>14.1</i>	(2039 bps)	<i>6.7</i>	(1304 bps)	
Others	487	(190)	(356.3)s	(359)	(235.7)	
<i>% of revenue</i>	<i>0.5</i>	<i>(0.2)</i>	76 bps	<i>(0.6)</i>	111 bps	
Reported PAT	20,463	20,252	1.0	16,133	26.8	
<i>% of revenue</i>	<i>22.7</i>	<i>23.9</i>	(119 bps)	<i>25.5</i>	(277 bps)	

Source: Company, RHH estimates



Mobile business KPIs

	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Comments
Revenue	50,579	56,105	64,201	69,150	72,843	
% change QoQ	7.7	10.9	14.4	7.7	5.3	• Lower revenue growth due to seasonality factor.
EBITDA	20,728	22,887	22,779	21,218	22,009	
% change QoQ	8.6	10.4	(0.5)	(6.9)	3.7	• EBITDA margin decline due to increase in network operating cost.
EBITDA margin	41.0	40.8	35.5	30.7	30.2	
EBIT	14,058	15,345	16,934	15,720	15,728	
% change QoQ	5.5	9.2	10.4	(7.2)	0.1	
EBIT margin	27.8	27.4	26.4	22.7	21.6	
EOP Subs	48,876	55,396	61,985	69,384	77,479	• Net adds at ~2.6mn/month in Q2FY09 ahead of the expectation of ~2.5mn/month. Higher net adds provide cushion for higher-than-expected fall in ARPU.
% change QoQ	14.5	13.3	11.9	11.9	11.7	
% market share	23.4	23.6	23.7	24.2	24.6	
Incremental Subs	6,172	6,520	6,588	7,399	8,095	
% change QoQ	10.9	5.6	1.0	12.3	9.4	
% market share	25.7	25.6	24.8	28.7	28.5	
ARPU	366	358	357	350	331	• Lower-than-expected at Rs 331, against our expectation of Rs 339
% change QoQ	(6.2)	(2.2)	(0.3)	(2.0)	(5.4)	
MOU	469	474	507	534	526	• Lower MoUs in line with expectation; due to seasonality.
% change QoQ	(1.9)	1.1	7.0	5.3	(1.5)	
RPM	0.78	0.76	0.70	0.66	0.63	• Consistent increase in non-voice revenue (excluding SMS) signifies a positive from the perspective of ARPU protection and customer retention.
EBITDA/min	0.33	0.32	0.31	0.26	0.20	
Prepaid as % of Overall	90.4	91.0	91.6	92.3	92.9	
Prepaid as % of Net adds	95.4	95.4	96.3	97.9	98.4	
SMS as % of revenue	4.6	4.4	4.4	4.2	4.3	• On track to achieve 82-85% population coverage by the end of FY09.
Non-voice as % of revenue	9.8	9.3	9.4	9.7	10.0	
Population coverage	65	68	71	74	77	

Source: Company, RHH

Long distance business KPIs

	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Comments
Revenue	10,048	11,346	12,566	15,694	17,002	
% change QoQ	9.1	12.9	10.8	24.9	8.3	
EBITDA	3,462	3,652	4,027	6,884	7,351	
% change QoQ	9.2	5.5	10.3	70.9	6.8	
EBITDA margin	34.5	32.2	32.0	43.9	43.2	
EBIT	2,740	2,837	3,170	5,987	6,352	
% change QoQ	(0.6)	3.5	11.7	88.9	6.1	
EBIT margin	27.3	25.0	25.2	38.1	37.4	
NLD mins (in mn)	6,774	7,898	9,398	10,322	11,349	• Slowdown in MoU growth in national long distance business due to reduction in ex-Bharti volumes.
% change QoQ	15.7	16.6	19.0	9.8	9.9	
ILD mins (in mn)	1,345	1,591	1,850	2,048	2,284	
% change QoQ	8.2	18.3	16.3	10.7	11.5	
Overall LD mins (in mn)	8,119	9,489	11,248	12,370	13,633	
% change QoQ	14.4	16.9	18.5	10.0	10.2	
RPM	1.24	1.20	1.12	1.27	1.25	
EBITDA / min	0.43	0.38	0.36	0.56	0.54	
EBIT/min	0.34	0.30	0.28	0.48	0.47	

Source: Company, RHH



Telemedia business KPIs

	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Comments
Revenue	7,023	7,307	7,641	7,988	8,486	• Cherry picking business strategy for telemedia business segment.
% change QoQ	7.8	4.0	4.6	4.5	6.2	
EBITDA	2,790	3,173	3,344	3,367	3,696	
% change QoQ	32.9	13.7	5.4	0.7	9.8	
EBITDA margin	39.7	43.4	43.8	42.2	43.6	
EBIT	1,680	1,592	1,910	1,981	2,270	
% change QoQ	78.2	(5.2)	20.0	3.7	14.6	
EBIT margin	23.9	21.8	25.0	24.8	26.7	
EOP Subs	15.7	2,075	2,178	2,283	2,394	
% change QoQ	1,345	5.2	5.0	4.8	4.9	
Inc subs	8.2	103	103	105	111	
% change QoQ	8,119	2.0	-	1.9	5.7	
ARPU	1,150	1,140	1,137	1,138	1,147	• ARPUs remain stable. Consistent increase in DSL penetration positive for ARPU enhancement.
% change QoQ	2.6	(0.9)	(0.3)	0.1	0.8	
MOUs	757	722	708	690	680	
% change QoQ	(2.0)	(4.7)	(1.9)	(2.5)	(1.5)	
Overall MOUs	4,454	4,596	4,604	4,736	4,842	
RPM	1.58	1.59	1.66	1.69	1.75	
EBITDA / min	0.63	0.69	0.73	0.71	0.76	
EBIT/min	0.21	0.17	0.17	0.16	0.17	
Town coverage	94	94	94	94	95	• Roll-out of service in Surat, Gujarat
DSL penetration	34.0	34.5	34.8	35.6	36.7	

Source: Company, RHH

Enterprise Services (Corporate)

	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Comments
Revenue	3,423	3,290	3,774	3,878	4,872	• Higher revenue growth due to completion of key projects.
% change QoQ	25.4	(3.9)	14.7	2.8	25.6	
EBITDA	1,435	1,377	2,152	1,771	2,018	• Margin decline due to change in business mix. Higher equipment provisioning vs network integration services.
% change QoQ	23.8	(4.0)	56.3	(17.7)	13.9	
EBITDA margin	41.9	41.9	57.0	45.7	41.4	
EBIT	1,237	1,215	1,798	1,396	1,619	
% change QoQ	40.1	(1.8)	48.0	(22.4)	16.0	
EBIT margin	36.1	36.9	47.6	36.0	33.2	

Source: Company, RHH



Passive Infrastructure (Infratel business) KPIs

	Q4FY08	Q1FY09	Q2FY09	Comments
Revenue	6,023	10,563	11,983	• Decline in EBITDA margin due to increase in network cost of operations.
% change QoQ	Na	75.4	13.4	
EBITDA	2,236	3,870	3,991	
% change QoQ	na	73.1	3.1	• Tower mix tilting towards GBT.
EBITDA margin	37.1	36.6	33.3	
EBIT	986	1,574	1,185	
% change QoQ	na	59.6	(24.7)	• Tower additions slow down during the quarter, with Indus becoming operational.
EBIT margin	16.4	14.9	9.9	
No of BTS	69,141	75,876	82,554	
No of towers	53,083	58,013	59,966	• Increase in tower tenancy to be the key growth Driver for the business segment.
- GBT	34,261	38,845	40,777	
- RFT	18,822	19,168	19,189	
Tenancy ratio	1.22	1.22	1.26	• Increase in tower tenancy to be the key growth Driver for the business segment.
Rentals / Month	30,017	31,893	32,177	
Gross rentals/month (incl Passthrough)	na	51,956	53,740	
Infratel as Guest	16,058	17,863	22,588	
Infratel as Host	11,678	12,763	15,591	

Source: Company, RHH

Other highlights

Spectrum in existing, additional circles

The management confirmed that it received spectrum in three circles during the quarter and that it was likely to receive spectrum in the remaining six circles for which applications were pending.

2% reduction in license fee for non-metro circle w.e.f. April 1, 2009

License fee cut to benefit Bharti

DoT recently announced a 2% reduction in license fee (USO levy reduced from 5% to 3%) for non-metro circles (i.e. A, B and C category circles) w.e.f. April 1, 2009. The reduced license fee is subject to the condition that Bharti should achieve 95% of the network coverage of developmental blocks. Bharti is seeking clarification from the DoT on the exact definition of 'development blocks'. Nonetheless, it is confident of getting some benefits from FY10, given its extensive network coverage.

We believe Bharti would be able to claim the benefit of reduction in license fee for most of its circles of operations. We further suppose that most of the benefit from license fee reduction would be passed onto the customer in terms of reduced tariffs. We also have reason to believe this has been done as the timing of benefits coincides with the launch of services by existing operators in new circles and new entrants and introduction of mobile number portability, thus increasing competition in an already-cluttered market.

Bharti launched its DTH business on October 9 under the Airtel Digital TV brand in 62 cities

DTH business goes live

Bharti launched its much-awaited DTH business on October 9 under the *Airtel Digital TV* brand in 62 cities with a marketing plan covering TV, newspaper and other media. The management confirmed that from Q3FY09, DTH would be reported as a separate business segment.



Revision in estimates

We are marginally downsizing our revenue and earnings estimates to factor in the higher-than-expected ARPU fall maintaining our subscriber estimates and increasing network cost of operations and SG&A expenses with the launch of DTH services.

Key parameters	FY09E			FY10E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	376,547	375,632	(0.2)	467,226	465,914	(0.3)
EBITDA (Rs mn)	155,693	152,800	(1.9)	193,369	185,385	(4.1)
EBITDA margin (%)	41.3%	40.7%	(67 bps)	41.4%	39.8%	(160 bps)
PAT (Rs mn)	89,869	87,980	(2.1)	110,316	106,938	(3.1)
PAT margin (%)	23.9%	23.4%	(44 bps)	23.6%	23.0%	(66 bps)
EPS (Rs)	47.3	46.3	(2.1)	58.1	56.3	(3.1)

Source: RHH

Downsizing estimates to factor in increased cost of operations

Valuation

At the current price of Rs 649, Bharti is trading at 7.8x and 6.4x its FY09 and FY10 EV/EBITDA respectively. We have revised our target EV/EBITDA multiple for the company from 9.5x to 8.5x to factor in higher cost of operations and greater competition, especially with two new international players entering the market. Our revised target price stands at Rs 940 including a value of Rs 53 for the stake in Indus. We maintain our Buy rating on Bharti and reiterate it as the top-pick from the sector.



Consolidated financials

Profit and Loss statement

Y/E March (Rs mn)	FY07	FY08	FY09E	FY10E
Revenues	185,195	270,251	375,632	465,914
Growth (%)	59.4	45.9	39.0	24.0
EBITDA	74,504	113,716	152,800	185,385
Growth (%)	71.0	52.6	34.4	21.3
Depreciation & amortisation	25,207	37,261	46,357	55,987
EBIT	49,297	76,455	106,444	129,398
Growth (%)	77.7	55.1	39.2	21.6
Interest	1,438	2,341	8,900	460
Other income	1,001	2,423	1,264	1,198
EBT	48,860	76,537	98,807	130,136
Income taxes	5,822	8,378	8,575	19,341
Effective tax rate (%)	11.9	10.9	8.7	14.9
Extraordinary items	-	-	-	-
Min int / inc from associates	470	1,151	1,840	3,858
Reported net income	42,574	67,009	87,980	106,938
Adjustments	-	-	-	-
Adjusted net income	42,574	67,009	87,980	106,938
Growth (%)	88.7	57.4	31.3	21.5
Shares outstanding (mn)	1,898.0	1,898.0	1,899.0	1,899.0
FDEPS (Rs) (adj)	22.4	35.3	46.3	56.3
Growth (%)	88.7	57.4	31.3	21.5
DPS (Rs)	-	-	-	-

Balance sheet

Y/E March (Rs mn)	FY07	FY08	FY09E	FY10E
Cash and cash eq	10,156	55,006	87,081	147,746
Accounts receivable	13,093	15,986	25,728	31,912
Inventories	910	1,142	1,000	1,050
Other current assets	20,059	38,936	44,503	54,397
Investments	182	108	108	108
Gross fixed assets	210,604	313,407	394,877	428,479
Net fixed assets	210,604	313,407	394,877	428,479
CWIP	-	-	-	-
Intangible assets	37,800	40,247	40,247	40,247
Deferred tax assets, net	(2,432)	(2,531)	(3,591)	(4,863)
Other assets	3,887	5,041	6,375	7,040
Total assets	294,259	467,342	596,328	706,116
Accounts payable	16,878	18,749	30,525	38,429
Other current liabilities	47,125	74,317	92,809	107,030
Provisions	-	-	-	-
Debt funds	41,536	77,715	47,460	17,460
Other liabilities	53,167	73,976	81,599	92,324
Equity capital	18,959	18,979	18,991	18,991
Reserves & surplus	116,594	203,606	324,944	431,882
Shareholder's funds	135,553	222,585	343,935	450,873
Total liabilities	294,259	467,342	596,328	706,116
BVPS (Rs)	71.4	117.3	181.1	237.4

Cash flow statement

Y/E March (Rs mn)	FY07	FY08	FY09E	FY10E
Net income + Depreciation	67,781	104,270	134,337	162,925
Non-cash adjustments	0	0	-	-
Changes in working capital	19,004	13,141	19,608	13,472
Cash flow from operations	86,785	117,412	153,945	176,397
Capital expenditure	(89,263)	(138,397)	(127,826)	(89,590)
Change in investments	-	-	-	-
Other investing cash flow	-	-	-	-
Cash flow from investing	(89,263)	(138,397)	(127,826)	(89,590)
Issue of equity	1,647	21,235	35,416	3,858
Issue/repay debt	5,064	44,601	(29,459)	(30,000)
Dividends paid	-	-	-	-
Other financing cash flow	-	-	-	-
Change in cash & cash eq	4,233	44,850	32,075	60,665
Closing cash & cash eq	10,156	55,006	87,081	147,746

Financial ratios

Y/E March	FY07	FY08	FY09E	FY10E
Profitability & Return ratios (%)				
EBITDA margin	40.2	42.1	40.7	39.8
EBIT margin	26.6	28.3	28.3	27.8
Net profit margin	23.0	24.8	23.4	23.0
ROE	37.4	37.4	31.1	26.9
ROCE	26.8	27.2	26.2	23.9
Working Capital & Liquidity ratios				
Receivables (days)	23	20	20	23
Inventory (days)	1	1	1	1
Payables (days)	31	24	24	27
Current ratio (x)	0.7	1.2	1.3	1.6
Quick ratio (x)	0.4	0.8	0.9	1.2
Turnover & Leverage ratios (x)				
Gross asset turnover	1.0	1.0	1.1	1.1
Total asset turnover	0.7	0.7	0.7	0.7
Interest coverage ratio	34.3	32.7	12.0	281.3
Adjusted debt/equity	0.4	0.4	0.2	0.1
Valuation ratios (x)				
EV/Sales	6.4	4.4	3.2	2.6
EV/EBITDA	16.0	10.5	7.8	6.4
P/E	28.9	18.4	14.0	11.5
P/BV	9.1	5.5	3.6	2.7

Economic Value Added (EVA) analysis

Y/E March	FY07	FY08	FY09E	FY10E
WACC (%)	12.3	12.1	13.3	14.0
ROIC (%)	21.8	23.9	26.1	26.3
Invested capital (Rs mn)	231,025	338,618	405,913	432,911
EVA (Rs mn)	21,970	39,917	52,023	53,218
EVA spread (%)	9.5	11.8	12.8	12.3



Quarterly trend

Particulars	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09
Revenue (Rs mn)	63,374	69,639	78,191	84,833	90,203
YoY growth (%)	45.4	41.7	45.0	43.7	42.3
QoQ growth (%)	7.3	9.9	12.3	8.5	6.3
EBITDA (Rs mn)	27,097	29,634	32,518	35,221	36,993
EBITDA margin (%)	42.8	42.6	41.6	41.5	41.0
Adj net income (Rs mn)	16,133	17,226	18,533	20,252	20,463
YoY growth (%)	71.9	41.7	36.9	34.0	26.8
QoQ growth (%)	6.7	6.8	7.6	9.3	1.0

DuPont analysis

(%)	FY06	FY07	FY08	FY09E	FY10E
Tax burden (Net income/PBT)	88.3	87.1	87.6	89.0	82.2
Interest burden (PBT/EBIT)	92.1	99.1	100.1	92.8	100.6
EBIT margin (EBIT/Revenues)	23.9	26.6	28.3	28.3	27.8
Asset turnover (Revenues/Avg TA)	61.8	72.9	71.0	70.6	71.5
Leverage (Avg TA/Avg equity)	236.2	223.3	212.7	187.8	163.9
Return on equity	28.3	37.4	37.4	31.1	26.9

Company profile

Bharti Airtel (Bharti) is India's largest integrated telecom operator with a pan-India footprint. It has a wireless subscriber market share of 24.6%. Bharti pioneered the industry by outsourcing the core network and IT activities through strategic partnerships with Ericsson and IBM respectively.

Shareholding pattern

(%)	Dec-07	Mar-08	Jun-08
Promoters	65.9	66.5	67.0
FIs	26.2	24.2	23.2
Banks & FIs	4.6	5.7	6.1
Public	3.3	3.6	3.7

Recommendation history

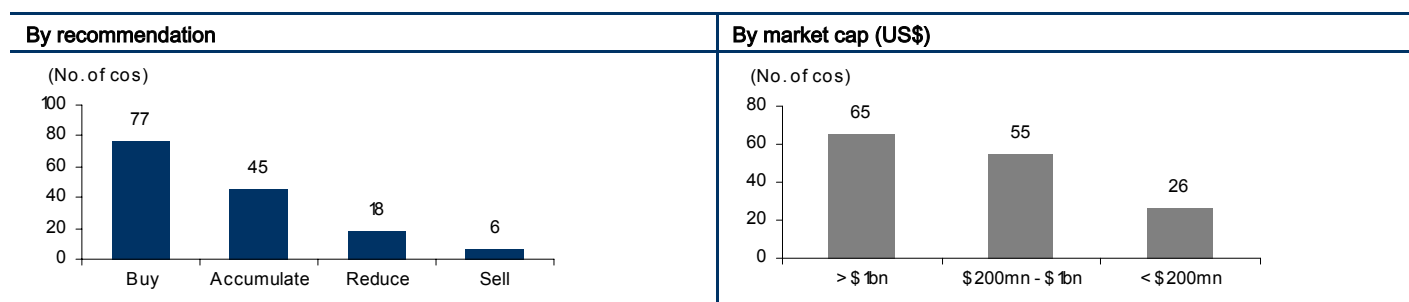
Date	Event	Reco price	Tgt price	Reco
21-Aug-08	RHH Compendium	799	1,055	Buy
3-Nov-08	Results Review	649	940	Buy

Stock performance





Coverage Profile



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 20%
Accumulate	Between 10% and 20%
Reduce	Up to 10%
Sell	Less than 0%

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