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August 19, 2010

Bharti Airtel

Performance Highlights

(Rs cr)	1QFY11	1QFY10	%chg (yoy)	4QFY10	%chg (qoq)
Net revenue	12,231	10,414	17.4	10,749	13.8
EBITDA margin (%)	36.1	41.3	(5.2)	38.0	(1.9)
PAT	1,682	2,475	(32.0)	2,045	(17.8)

Source: Company, Angel Research; Note: IFRS financials

For 1QFY2011, Bharti Airtel posted robust top-line performance, up 13.8% qoq, aided by the acquisition of Zain Africa. However, margins declined due to high SG&A, network operation and access costs, while the bottom line was severely affected due to the loss reported by its African operations.

Robust top line aided by higher MOUs, but strong erosion witnessed in margin: Bharti Airtel's net revenue grew 17.4% yoy (13.8% qoq), which included revenue contribution of Rs958cr from Zain Africa, which has been accounted for 23 days (June 8–June 30, 2010) in 1QFY2011. The company's global subscriber base stood at 177mn as of 1QFY2011. The company reported a 518bp yoy (189bp qoq) drop in EBITDA margin in combined operations. Further, a) the net interest payable of Rs420cr v/s net interest income of Rs128cr and Rs36cr in 1QFY2010 and 4QFY2010, respectively, b) higher depreciation cost and c) higher tax rate, resulted in a 32% yoy (18% qoq) decline in the bottom line of combined operations (including Africa) to Rs1,682cr. This was mainly due to a net loss of Rs224cr incurred in its African operations. However, comparing its India and South Asia financials, the company's top line grew 8.2% yoy (4.9% qoq) to Rs11,273cr, while posting a 360bp yoy (80bp qoq) margin decline. Thus, the bottom line, excluding Africa, declined by 23% yoy (6.8% qoq) to Rs1,905cr.

Outlook and valuation: We expect Bharti Airtel's top line to witness a 28.5% CAGR over FY2010–12E, with strong addition in its subscriber base, including that of Zain Africa. However, RPM is expected to decline at a 15% CAGR in the same period. Thus, the bottom line is expected to decline at a 5.1% CAGR over FY2010–12E, mainly due higher interest outgo on debt raised for Zain and 3G BWA and opex required for integrating Zain's operations during this period. **In view of the recent underperformance on the PAT and RoE fronts, we have valued Bharti Airtel at ~17x FY2012E EPS of Rs21.3, in line with our Sensex target multiple of 17x (Bharti has traded at an average premium of 12% to Sensex average PE multiple during 2005–2010). Thus, we recommend an Accumulate rating on Bharti Airtel and maintain our Target Price of Rs360.**

Key financials (Consolidated - IFRS)

Y/E March (Rs cr)	FY2010	FY2011E	FY2012E
Net Sales	**41,847**	**59,642**	**69,113**
% chg	*13.2*	*42.5*	*15.9*
Net Profits	**8,986**	**7,453**	**8,095**
% chg	*6.1*	*(17.1)*	*8.6*
EBITDA Margin (%)	*40.1*	*34.7*	*35.0*
EPS (Rs)	**23.6**	**19.6**	**21.3**
P/E (x)	13.3	16.0	14.7
EV/EBITDA (x)	7.9	8.9	7.3
RoE (%)	24.8	16.4	15.5
RoCE (%)	18.5	9.3	11.0
Sales/GFA (x)	0.6	0.7	0.7
Mobile ARPUs (Rs/user/month)	247	233	208

Source: Company, Angel Research

ACCUMULATE

CMP	Rs314
Target Price	Rs360
Investment Period	12 Months

Stock Info	
Sector	Telecom
Market Cap (Rs cr)	119,166
Beta	0.7
52 Week High / Low	467/230
Avg. Daily Volume	1507260
Face Value (Rs)	5
BSE Sensex	18,455
Nifty	5,540
Reuters Code	BRTI.BO
Bloomberg Code	BHARTI@IN

Shareholding Pattern (%)	
Promoters	67.9
MF / Banks / Indian FIs	12.6
FII / NRIs / OCBs	17.1
Indian Public / Others	2.5

Abs. (%)	3m	1yr	3yr
Sensex	12.5	24.6	30.5
Bharti Airtel	20.9	(22.5)	(21.0)

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Exhibit 1: 1QFY2011 – Consolidated financial performance (IFRS)

Y/E March (Rs cr)	FY2011 1Q	FY2010 1Q	% chg (yoy)	FY2010 4Q	% chg (qoq)	*FY2010	*FY2009	% chg
Net Revenue	**12,231**	**10,414**	*17.4*	**10,749**	*13.8*	**39,615**	**36,962**	*7.2*
Operating Expenditure	7,817	6,117	*27.8*	6,666	*17.3*	23,588	21,794	*8.2*
Operating Profit (EBITDA)	**4,414**	**4,297**	*2.7*	**4,083**	*8.1*	**16,027**	**15,168**	*5.7*
Other Income	55	11	*393.7*	21	*156.1*	127	152	*(16.3)*
Interest Earned (Net)	(420)	128		36		578	(1,161)	
Depreciation	1,947	1,475	*31.9*	1,695	*14.8*	6,046	4,758	*27.1*
Share of Profits in Associates/JVs	(7)	-		(3)		29	(71)	
Non-Operating Expenses	23	13		(0)		18	22	
Income before Income Taxes	**2,072**	**2,948**	*(29.7)*	**2,442**	*(15.1)*	**10,698**	**9,307**	*14.9*
Tax	375	431	*(12.9)*	342	*9.8*	1,396	662	*111.0*
Minority Interest	15	43	*(64.7)*	55	*(72.3)*	199	176	*13.4*
Net Income	**1,682**	**2,475**	*(32.0)*	**2,045**	*(17.8)*	**9,103**	**8,470**	*7.5*
Diluted EPS (Rs)	**4.4**	**6.5**	*(32.1)*	**5.4**	*(17.8)*	**24.0**	**22.3**	*7.5*
EBITDA Margin (%)	36.1	41.3		38.0		40.5	41.0	
Net profit Margin (%)	13.7	23.8		19.0		23.0	22.9	
Mobile ARPUs (Rs/user/month)	**215**	**278**	*(22.7)*	**220**	*(2.3)*	**247**	**328**	*(24.8)*

*Source: Company, Angel Research; *Annual financials as per earlier US GAAP accounting standards*

Exhibit 2: 1QFY2011 – Actual v/s Angel estimates

(Rs cr)	Actual (Incl. African operations - A)	Actual (Excl. African operations)	Estimates (Excl. African operations - B)	% Var. (A/B)
Net revenue	12,231	11,273	10,450	*17.0*
EBITDA margin (%)	36.1	37.6	37.0	*(0.9)*
PAT	1682	1905	1,962	*(14.3)*

Source: Company, Angel Research

Robust top line aided by the acquisition of Zain Africa

Bharti Airtel recorded 17.4% yoy (13.8% qoq) growth in net revenue for 1QFY2011 mainly on account of strong growth of 16% yoy (17.6% qoq) in its mobile business, aided by additional revenue contribution of Rs958cr from Zain Africa. The company's telemedia business also witnessed 4.8% yoy (5.3% qoq) growth. Further, the tower business and other businesses (DTH and IPTV) witnessed declines on a sequential basis, registering growth of 28.1% and 89.8% on a yoy basis, respectively.

Growth in the company's mobile business was supported by 35.3% yoy (10.2% qoq) growth in total MOU in its Indian and South Asian operations, which stood at 1,90,396mn minutes (480 MOU per user per month), as the subscriber base in India and South Asia grew by 7.1% qoq each. Zain Africa's operations added 36.4mn subscribers during 1QFY2011; however, Zain Africa has lower MOUs of 103 minutes per user per month compared to India and South Asia. Thus, the company's total subscriber base (including that of India, South Asia and Zain Africa) stood at 177mn at the end of 1QFY2011.

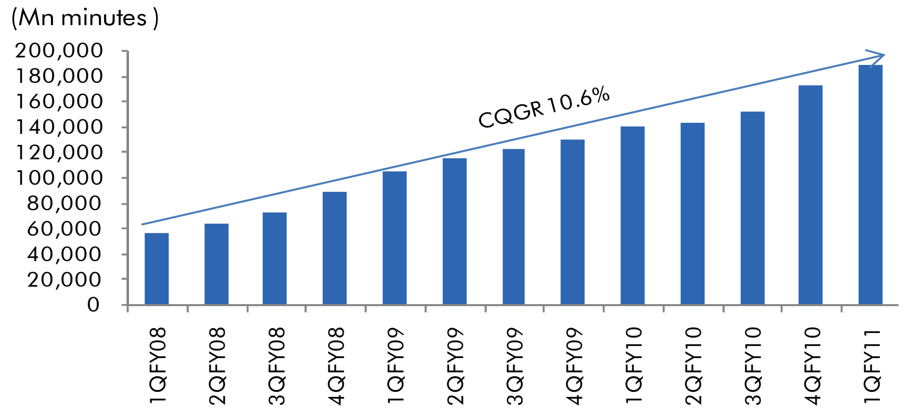
Exhibit 3: Segment wise revenue break-up

Particulars (Rs cr)	1QFY11	1QFY10	4QFY10	% chg yoy	% chg qoq
Mobile Services (India, South Asia and Africa)	9,782	8,430	8,317	16.0	17.6
Telemedia Services	896	855	851	4.8	5.3
Enterprise Services	1,019	1,163	1,077	(12.4)	(5.4)
Others (Digital TV, Corporate Offices and New Projects)	195	103	209	89.8	(6.9)
Passive Infrastructure Services	2,041	1,594	1,946	28.1	4.9
Gross Revenue	13,933	12,144	12,401	14.7	12.4
Less: Eliminations	1,702	1,730	1,652	(1.6)	3.1
Net Revenue	12,231	10,414	10,749	17.4	13.8

Source: Company, Angel Research

Bharti Airtel's average revenue per user per month (ARPU) in India and South Asia continued to decline by 22.7% yoy (2.3% qoq) to Rs215, while ARPU of Zain Africa stood at US $8 (~Rs365) during the quarter. The company's RPM continued to fall by 23% yoy (4.6% qoq) to Rs0.45 on account of the ongoing competitive tariff wars and new low-cost pricing plans during the quarter.

Exhibit 4: Growth in total MOUs



Source: Company, Angel Research

High SG&A, network operation and access costs impact margin

Bharti Airtel reported a 518bp yoy (189 qoq) drop in EBITDA margin during 1QFY2011 mainly on account of the 300bp yoy (130bp qoq) increase in SG&A expenses. Network operating costs also increased by 190bp yoy (down 40bp qoq) due to the expansion in overseas operations and the 70bp yoy (90bp qoq) increase in access costs. Moreover, the company made a provision of ~Rs104cr for additional spectrum payment expected to be made to the government on the expected revision in TRAI's 2G spectrum-related recommendations. This led to a 90bp margin decline in 1QFY2011. Thus, the company's overall margins (inclusive of India, South Asia and Zain African operations) during 1QFY2011 were affected due to its expansion and integration activities and lower RPM.

Low margins and high interest, depreciation and tax erode PAT

During the quarter, Bharti Airtel's net interest payable (inclusive of interest cost on borrowings, investment income and derivative and exchange fluctuation expenses) stood at Rs420cr (inclusive of India, South Asia and Zain Africa) v/s net interest income of Rs128cr and Rs36cr in 1QFY2010 and 4QFY2010, respectively. The interest cost of Rs46cr attributable to 3G and BWA loans, however, stands capitalised due to its pending commercial launch. The net other income (inclusive of other income, share of associates profit and non-operating expenses) was slightly up at Rs24.4cr in 1QFY2011 v/s Rs18cr in 4QFY2010 and net loss of Rs2.1cr in 1QFY2010. The additional capex of Rs1,836.1cr incurred during the quarter resulted in higher depreciation cost, which was up by 32% yoy (14.8% qoq) in 1QFY2011. Further, the tax rate moved up at 18% in 1QFY2011 v/s 14.6% in 1QFY2010 and 14% in 4QFY2010. Thus, the company reported a 32% yoy (17.8% qoq) decline in the bottom line, including African operations, to Rs1,682cr; however, excluding African operations, the bottom line declined by only 23% yoy (6.8% qoq) to Rs1,905cr.

Exhibit 5: P&L exhibiting India-South Asian and Zain Africa's operations separately

Y/E March (Rs cr)	1QFY11				1QFY10		4QFY10	
	India & South Asia	Zain Africa	Africa Others	Combined Operations	India & South Asia	% chg yoy *	India & South Asia	% chg qoq *
Net Revenue	**11,273**	**958**	**-**	***12,231***	**10,414**	**8.2**	**10,749**	**4.9**
EBITDA (before acquisition cost)	4,250	264	(1)	*4,512*	4,297	(1.1)	4,083	4.1
Acquisition-related costs	(8)	-	(91)	*(98)*	-	-	-	-
EBITDA (after acquisition cost)	**4,242**	**264**	**(92)**	***4,414***	**4,297**	**(1.3)**	**4,083**	**3.9**
Depreciation Costs	1,748	198	-	*1,947*	1,475	18.5	1,695	3.1
Interest Costs on borrowings	(153)	(66)	(62)	*(281)*	303	(150.3)	(209)	(27.0)
Investment Income	76	1	-	*77.20*	104	(26.5)	85	(10.5)
Profits before derivative & exchange fluctuation	2,418	(0)	(154)	*2,264*	3,229	(25.1)	2,264	6.8
Derivative & exchange fluctuation	(143)	(74)	0	*(216)*	(279)	(48.8)	160	-
Profits after derivative & exchange fluctuation	**2,275**	**(74)**	**(154)**	***2,048***	**2,950**	**(22.9)**	**2,423**	**(6.1)**
Other income	26	1	-	*24*	(2)	-	18	39.9
PBT	**2,301**	**(75)**	**(154)**	***2,072***	**2,948**	**(22.0)**	**2,442**	**(5.8)**
Current Tax	525	16	-	*541*	682	(23.1)	495	6.1
Deferred Tax	(156)	(10)	-	*(166)*	(252)	(38.0)	(153)	2.0
PAT	1,932	(82)	(154)	*1,697*	2,518	(23.3)	2,100	(8.0)
Less: Minority Interest	27	(12)	-	*15*	43	(37.0)	55	(50.6)
Adjusted PAT	**1,905**	**(70)**	**(154)**	**1,682**	**2,475**	**(23.0)**	**2,045**	**(6.8)**
EBITDA Margin (%)	37.6	27.5		36.1	41.3	(3.6)	38.0	(0.3)
Net Profit Margin (%)	16.9	(7.3)		13.7	23.8	(6.9)	19.0	(2.1)

*Source: Company, Angel Research; *Note: Change (%) is on a like-to-like basis and reflects growth in Indian and South Asian operations.*

Like-to-like operational performance comparison in 1QFY2011

During the quarter, on a like-to-like basis, the company witnessed top-line growth of 8.2% yoy (4.9% qoq) to Rs11,273cr, while Zain Africa, which has been accounted for 23 days (June 8–June 30, 2010) in 1QFY2011 contributed Rs958cr to the top line. The EBITDA margin, excluding African operations, contracted by 360bp yoy (80bp qoq), which was lower as compared to a contraction of 518bp yoy (189bp qoq) witnessed in the margin of the combined operations (including Zain Africa and other holding companies in Africa). Therefore, higher acquisition-related costs incurred in 1QFY2011 had a major impact on the EBITDA margin of the company's combined operations.

Further, higher interest costs on borrowings related to Zain's acquisition impacted the company's profit before tax, which was down by 22% yoy (6% qoq) in India and South Asia on a like-to-like basis v/s a 30% yoy (15% qoq) decline in profit before tax of combined operations in 1QFY2011. Thus, mainly on account of Zain's acquisition and net loss of Rs224cr incurred in Africa in 1QFY2011, the bottom line declined by 32% yoy (18% qoq) in combined operations, while the bottom line on a like-to-like basis declined by 23% yoy (6.8% qoq).

Exhibit 6: Total borrowings and related interest costs

Rs cr	1QFY2011	4QFY2010
Long-term borrowing	57,695	8,147
Short-term debt	7,654	2,042
Total debt	**65,349**	**10,190**
Interest cost on borrowings	281	209

Source: Company, Angel Research

Exhibit 7: Mobility business – Operating metrics

Particulars	1QFY11	1QFY10	4QFY10	% chg yoy	% chg qoq
Gross revenue (Rs cr)	9,782	8,430	8,317	*16.0*	*17.6*
Total mobile subscriber base (mn)	176.98	103.35	131.35	*71.2*	*34.7*
Mobile subscriber base in India (mn)	136.62	102.37	127.62	*33.5*	*7.1*
Mobile subscriber base in South Asia (mn)	3.99	0.98	3.73	*306.2*	*7.1*
Mobile subscriber base in Africa (mn)	36.36	-	-	-	-
Gross Mobile ARPUs (Rs/user/month)	215	278	220	*(22.7)*	*(2.3)*
Total MOU (mn)	190,396	140,713	172,797	*35.3*	*10.2*
RPM (Rs)	0.45	0.58	0.47	*(23.0)*	*(4.6)*
MOU per user per month	480	478	468	*0.5*	*2.6*
EBITDA (Rs cr)	3,435	3,411	3,024	*0.7*	*13.6*
EBITDA margin (%)	35.11	40.46	36.35	*(5.3)*	*(1.2)*
EBITDA/minute (Rs)	0.18	0.24	0.17	*(25.6)*	*3.1*
EBIT (Rs cr)	2,289	2,577	2,148	*(11.2)*	*6.5*
EBIT margin (%)	23.40	30.57	25.83	(7.2)	(2.4)

Source: Company, Angel Research

Exhibit 8: Telemedia business – Operating metrics

Particulars	1QFY11	1QFY10	4QFY010	% chg yoy	% chg qoq
Gross revenue (Rs cr)	896	855	851	4.8	5.3
Telemedia subscriber base (mn)	3.15	2.83	3.07	11.5	2.8
ARPLs (Rs/line/month)	961	1,027	937	(6.4)	2.6
Total MOU (mn)	4,696	4,746	4,515	(1.1)	4.0
Revenues per minute (Rs)	1.91	1.80	1.89	5.9	1.2
Broadband subscribers (mn)	1.34	1.14	1.30	17.8	3.5
% of Telemedia customers who are also broadband subscribers	42.60	40.31	42.30	5.7	0.7
MOU per user per month	503	570	497	(11.7)	1.3
EBITDA (Rs cr)	394	347	368	13.6	6.9
EBITDA margin (%)	43.95	40.53	43.29	3.4	0.7
EBITDA/minute (Rs)	0.84	0.73	0.82	14.8	2.8
EBIT (Rs cr)	191	180	181	6.3	5.4
EBIT margin (%)	21.31	21.02	21.29	0.3	0.0

Source: Company, Angel Research

Exhibit 9: Enterprise business – Operating metrics

Particulars	1QFY2011	1QFY2010	4QFY2010	% chg yoy	% chg qoq
Gross revenue (Rs cr)	1,019	1,163	1,077	(12.4)	(5.4)
Total MOU (mn)	20,377	14,650	19,048	39.1	7.0
EBITDA (Rs cr)	250	294	322	(15.1)	(22.5)
EBITDA margin (%)	24.51	25.30	29.91	(0.8)	(5.4)
EBITDA/minute (Rs)	0.12	0.20	0.17	(39.0)	(27.5)
EBIT (Rs cr)	145	220	232	(34.0)	(37.6)
EBIT margin (%)	14.23	18.88	21.59	(4.7)	(7.4)

Source: Company, Angel Research

Exhibit 10: Passive infrastructure services

Particulars	1QFY2011	1QFY2010	4QFY2010	% chg yoy	% chg qoq
Gross revenue (Rs cr)	2,041	1,594	1,946	28.1	4.9
Total towers (Nos.)	31,196	28,078	30,568	11.1	2.1
Sharing factor (Tenancy ratio, x)	1.65	1.43	1.62	15.4	1.6
Total tenancy slots occupied (Nos.)	51,344	40,053	49,520	28.2	3.7
Gross sharing revenue (Rs/tenant/month)	132,518	132,632	130,984	(0.1)	1.2
Net sharing revenue (Rs/tenant/month)	36,290	36,420	36,878	(0.4)	(1.6)
EBITDA (Rs cr)	724	520	722	39.2	0.2
EBITDA margin (%)	35.47	32.63	37.12	2.8	(1.7)
EBIT (Rs cr)	257	133	245	93.8	5.1
EBIT margin (%)	12.60	8.33	12.58	4.3	0.0

Source: Company, Angel Research

Investment arguments

Expansion to give Bharti a strong foothold amongst peers

Bharti Airtel has successfully acquired Zain Africa's operations, the integration of which is expected to be completed by December 2010. Through Zain Africa, Bharti Airtel has acquired 3G spectrum licenses in five out of the 16 African countries. Thus, the company sees Zain Africa's operations comprising 16 African countries (including the newly acquired *Seychelles* for a cost of US $62mn, having US $19,500 GDP/Capita with a large roaming revenue base and EBITDA margin of 40%) as a strong opportunity.

Bharti Airtel has also successfully expanded its footprint in Sri Lanka and Bangladesh (through Warid Telecom) and plans to replicate its minute factory model combined with a low-cost structure in the newly acquired geographies of Sri Lanka, Bangladesh and Africa. The company will work on infrastructure sharing and forge contracts on a network utilisation-based model, much like it does in India to improve productivity and, thereby, the profitability of its African operations, which are currently reporting losses.

Un-tapped opportunities in the domestic market to aid growth

In the domestic market, the company plans to tap the less penetrated areas (value-added services) and the huge broadband space, as well as focus on the data and non-voice services in the mobile business segment. Management also plans to expand DTH and its newly launched digital media business operations. Further, the company is strongly focusing on growing its presence in rural areas and small towns, where the current tele-density is still low at ~20%.

Survival of the fittest, as hyper competition looms over the industry

We believe the status of the Indian telecom sector would continue to remain challenging if operations continue at lower tariffs to combat hyper competition. Currently, on an average, there are 10–12 telecom operators per circle in India compared to 4–5 in the developed markets of US and Europe. The final verdict on the new 2G spectrum-related recommendations by TRAI is yet to be out, while the MNP has still not been implemented. Thus, we believe consolidation would be the right way ahead for the industry, and telecom service providers (TSP) such as Bharti Airtel that have strong market positioning and healthy financials would sustain the blows better than the smaller players, discarding unhealthy competition and promoting steady growth of the sector.

We believe the inflow from the 3G rollout would be a reliever to the current pain that the Indian telecom industry is going through; however, the same would take some time to add to the TSPs' profitability in the earlier months once the rollout begins. The rollout is expected to happen from December 2010, with no clarity on the exact date of the rollout.

Outlook and valuation

We expect Bharti Airtel's top line to witness a 28.5% CAGR over FY2010–12E, with strong addition in its subscriber base, including that of Zain Africa. However, RPM is expected to decline at a 15% CAGR in the same period. Thus, the bottom line is expected to decline at a 5.1% CAGR over FY2010–12E, mainly due higher interest outgo on debt raised for Zain and 3G BWA and opex required for integrating Zain's operations during this period. **In view of the recent underperformance on the PAT and RoE fronts, we have valued Bharti Airtel at ~17x FY2012E EPS of Rs21.3, in line with our Sensex target multiple of 17x (Bharti has traded at an average premium of 12% to Sensex average PE multiple during 2005–2010). Thus, we recommend an Accumulate rating on Bharti Airtel and maintain our Target Price of Rs360.**

Exhibit 11: Key assumptions

	FY2011E	FY2012E
Subscriber Growth (%)	60.0	20.0
Monthly ARPU (Rs)	233.0	208.0
Growth in Monthly ARPU (%)	(5.6)	(11.0)
EBITDA Margin (%)	34.7	35.0
Tax Rate (%)	20.0	22.0
EPS Growth (%)	(17.0)	8.6

Source: Company, Angel Research

Exhibit 12: Change in estimates

	Earlier estimates (Excl. African operations)	Revised estimates (Incl. African operations)	*Var. (%)*	Earlier estimates (Excl. African operations)	Revised Estimates (Incl. African operations)	*Var. (%)*
Net revenue	42,773	59,642	*39.4*	47,328	69,113	*46.0*
EBITDA	15,096	20,671	*36.9*	16,862	24,209	*43.6*
PBT	10,038	9,510	*(5.3)*	11,495	10,594	*(7.8)*
Tax	1,506	1,902	*26.3*	1,839	2,331	*26.7*
PAT	8,350	7,453	*(10.7)*	9,449	8,095	*(14.3)*

Source: Company, Angel Research

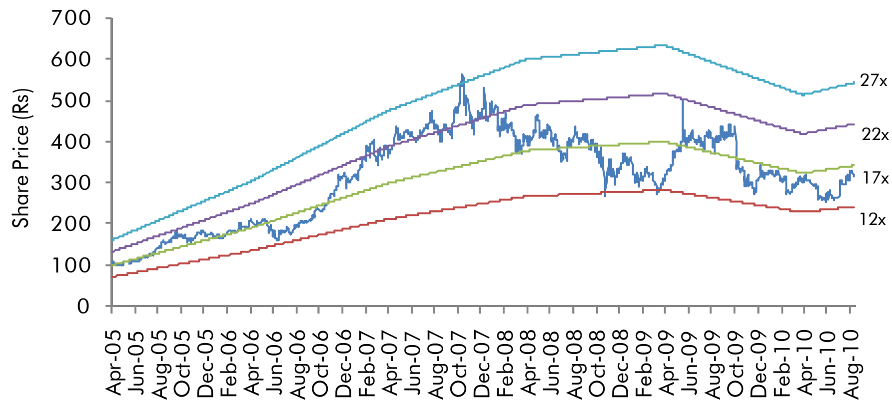
We have upgraded our FY2011E and FY2012E top-line estimates by including the financials of Bharti Airtel's African operations this time. Thus, we believe strong subscriber addition and higher MOU would drive the company's top line of its combined operations going forward. However, we expect EBITDA margin to be lower than our earlier expectations on account of higher opex relating to the company's African operations, which were not considered earlier, along with considering the higher network expansion costs to be incurred for 3G rollouts. Further, we believe a) the increase in interest outgo, b) depreciation cost on account of Zain's acquisition and the 3G and BWA rollouts, c) operational losses incurred by Zain and d) higher tax rates of 20% and 22% for FY2011E and FY2012E, respectively, would further erode Bharti Airtel's profitability than that expected earlier.

Exhibit 13: Angel EPS forecast v/s consensus

Year (%)	Angel forecast	Bloomberg consensus	Var. (%)
FY2011E	19.6	20.4	*(3.9)*
FY2012E	21.3	22.5	*(5.3)*

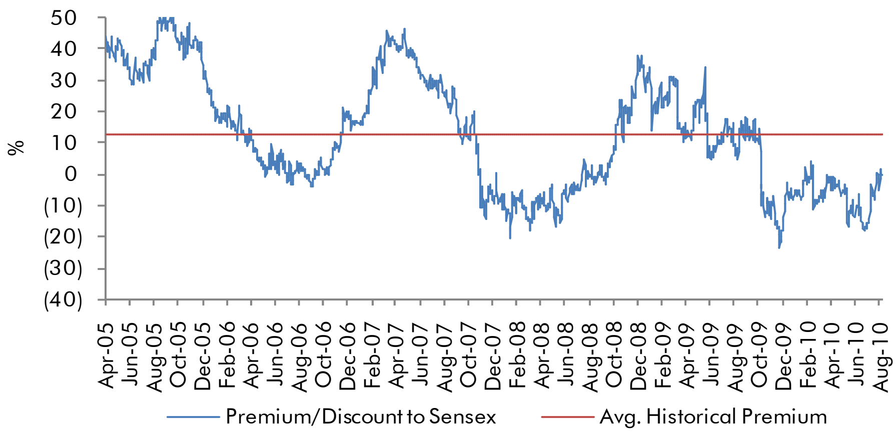
Source: Company, Angel Research

Exhibit 14: One-year forward P/E band



Source: Company, Angel Research

Exhibit 15: Premium/Discount in Bharti Airtel P/E versus Sensex P/E



Source: Company, Angel Research

Exhibit 16: Recommendation summary

Company	Reco.	CMP (Rs)	Tgt. price (Rs)	Upside (%)	FY2012E P/BV (x)	FY2012E P/E (x)	FY2010-12E EPS CAGR (%)	FY2012E RoCE (%)	FY2012E RoE (%)
Bharti Airtel	Accumulate	314	360	14.6	2.1	14.7	(5.1)	11.0	15.5
Idea Cellular	Sell	70	58	(17.1)	1.6	22.1	4.7	7.5	7.6
RCOM	Neutral	164	155	(5.3)	0.7	9.5	(10.9)	4.7	8.1

Source: Company, Angel Research

Profit & Loss Statement (Consolidated – IFRS)

Y/E March (Rs cr)	FY2010	FY2011E	FY2012E
Net Sales	41,847	59,642	69,113
Total operating income	**41,847**	**59,642**	**69,113**
% chg	*13.2*	*42.5*	*15.9*
Total Expenditure	25,084	38,970	44,904
EBITDA	**16,763**	**20,671**	**24,209**
% chg	*10.5*	*23.3*	*17.1*
(% of Net Sales)	*40.1*	*34.7*	*35.0*
Depreciation& Amortisation	6,283	9,400	11,000
EBIT	**10,480**	**11,271**	**13,209**
% chg	*0.7*	*7.6*	*17.2*
(% of Net Sales)	*25.0*	*18.9*	*19.1*
Interest & other Charges	18	1,174	1,900
Other Income	70	(572)	(700)
(% of PBT)	0.7	(6.0)	(6.6)
Share in profit of JVs	5	3	3
Recurring PBT	**10,537**	**9,528**	**10,612**
% chg	*12.9*	*(9.6)*	*11.4*
Extraordinary Expense/(Inc.)	18.1	18.1	18.1
PBT (reported)	**10,519**	**9,243**	**10,994**
Tax	1,345	1,902	2,331
(% of PBT)	*12.8*	*20.0*	*22.0*
PAT (reported)	**9,173**	**7,608**	**8,263**
Less: Minority interest (MI)	187	155	169
Prior period items	-	-	-
PAT after MI (reported)	**8,986**	**7,453**	**8,095**
ADJ. PAT	**9,004**	**7,471**	**8,113**
% chg	*6.0*	*(17.0)*	*8.6*
(% of Net Sales)	*21.5*	*12.5*	*11.7*
Basic EPS (Rs)	**23.6**	**19.6**	**21.3**
Fully Diluted EPS (Rs)	**23.6**	**19.6**	**21.3**
% chg	*6.0*	*(17.0)*	*8.6*

Balance Sheet (Consolidated - IFRS)

Y/E March (Rs cr)	FY2010	FY2011E	FY2012E
SOURCES OF FUNDS			
Equity Share Capital	1,899	1,899	1,899
Preference Capital	-	-	-
Reserves& Surplus	40,295	46,791	53,749
Shareholders' Funds	**42,194**	**48,690**	**55,648**
Minority Interest	2,529	2,529	2,697
Total Loans	15,116	68,120	58,652
Deferred Tax Liability	(875)	(2,835)	(2,835)
Total Liabilities	**58,963**	**116,504**	**114,162**
APPLICATION OF FUNDS			
Gross Block	69,441	84,352	98,174
Less: Acc. Depreciation	21,178	30,578	41,578
Net Block	**48,263**	**53,773**	**56,596**
Capital Work-in-Progress	-	-	-
Goodwill	5,989	63,618	63,618
Investments	6	0	0
Current Assets	13,769	17,371	15,397
Cash	2,532	3,503	1,482
Loans & Advances	-	-	-
Other	11,236	13,868	13,915
Current liabilities	10,882	20,280	23,470
Net Current Assets	**2,887**	**(2,909)**	**(8,073)**
Others	1,819	2,021	2,021
Total Assets	**58,963**	**116,504**	**114,162**

Cash Flow Statement (Consolidated - IFRS)

Y/E March (Rs cr)	FY2010	FY2011E	FY2012E
Net income	1,052	951	1,059
Depreciation	6,283	9,400	11,000
Change in Working Capital	2,343	9,217	8,017
Less: Other income	280	(396)	(510)
Direct taxes paid	1,345	1,902	2,331
Cash Flow from Operations	10,743	21,866	22,917
(Inc)./ Dec in Fixed Assets	(15,585)	(72,539)	(13,823)
(Inc)./ Dec. in Investments	(8)	(6)	-
(Inc)./ Dec. in loans and advances	-	-	-
Other income	280	(396)	(510)
Cash Flow from Investing	(15,314)	(72,941)	(14,333)
Issue of Equity	1	-	-
Inc./(Dec.) in loans	3,236	53,005	(9,468)
Dividend Paid (Incl. Tax)	1,050	959	1,136
Others	-	-	-
Cash Flow from Financing	2,186	52,045	(10,605)
Inc./(Dec.) in Cash	(2,384)	971	(2,020)
Opening Cash balances	4,917	2,532	3,503
Closing Cash balances	2,532	3,503	1,482

Key Ratios

Y/E March	FY2010	FY2011E	FY2012E
Valuation Ratio (x)			
P/E (on FDEPS)	13.3	16.0	14.7
P/CEPS	7.8	7.1	6.2
P/BV	2.8	2.4	2.1
Dividend yield (%)	0.8	0.7	0.8
EV/Sales	3.1	3.1	2.6
EV/EBITDA	7.9	8.9	7.3
EV / Total Assets	1.9	1.3	1.3
Per Share Data (Rs)			
EPS (Basic)	23.6	19.6	21.3
EPS (fully diluted)	23.6	19.6	21.3
Cash EPS	40.2	44.4	50.3
DPS	2.4	2.2	2.6
Book Value	111.1	128.2	146.5
DuPont Analysis			
EBIT margin	25.0	18.9	19.1
Tax retention ratio	87.2	80.0	78.0
Asset turnover (x)	0.7	0.8	1.0
ROIC (Post-tax)	15.4	13.3	14.6
Cost of Debt (Post Tax)	0.1	2.3	2.3
Leverage (x)	0.3	1.3	-
Operating ROE	19.9	28.0	14.6
Returns (%)			
ROCE (Pre-tax)	18.5	9.3	11.2
Angel ROIC (Pre-tax)	23.0	22.1	26.6
ROE	24.8	16.4	15.5
Turnover ratios (x)			
Asset Turnover (Gross Block)	1	1	1
Inventory / Sales (days)	0	1	1
Receivables (days)	31	29	29
Payables (days)	157	187	188
Working capital cycle (ex-cash) (days)	3	(39)	(50)
Solvency ratios (x)			
Net debt to equity	0.3	1.3	-
Net debt to EBITDA	0.8	3.1	-
Interest Coverage (EBIT/Interest)	588.8	9.6	7.0

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Disclosure of Interest Statement	Bharti Airtel
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	Yes
3. Angel and its Group companies' Directors ownership of the stock	Yes
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below Rs 1 lakh for Angel, its Group companies and Directors.

Ratings (Returns) :	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	