

Conference takeaways

Having met with management today at our 15th Annual India Investor Conference in New Delhi, these are some of our takeaways...

TRAI recos unfair; limited worst-case hit

Bharti said recent TRAI recommendations on spectrum valuations do not create a level playing field as start-up spectrum given in 2008 is being valued differently vs spectrum to be allotted during licence renewals. Even in a worst-case scenario, the Co feels its strong cash generation places it at a relative advantage versus other operators.

3G rollout on track; early feedback is encouraging

Bharti has launched 3G operations in 3 cities so far and said its early feedback is very positive. By March 2011, the Co plans to launch 3G in 40-50 cities across its 13 licenced circles. Bharti believes the 3G opportunity in India could be huge given low penetration of fixed-broadband.

MNP - not a game changer

Bharti is a net gainer from MNP but the Co does not see MNP introduction as a game changer for the market. According to Bharti, there is no visible pressure on tariffs from MNP.

Tower IPO not on the agenda for next 2 quarters

Bharti said that IPO plans for Bharti Infratel or their holding in Indus Towers seem unlikely at least for next 6 months.

Africa performance continues to improve

Bharti highlighted that revenues from Africa are growing at a strong pace. Despite variations between on-net and off-net costs overall margin outlook is healthy.

Bank of America
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Stock Data

Price	Rs322.60
Price Objective	Rs310.00
Date Established	10-Nov-2010
Investment Opinion	C-3-7
Volatility Risk	HIGH
BofAML Ticker / Exchange	BHTIF / BSE
Bloomberg / Reuters	BHARTI IN / BRTI.BO

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Price objective basis & risk

Bharti (BHTIF)

Our PO of Rs310/sh values Bharti at a FY12E-EV/EBITDA of around 6.5x-7x post-Zain. The consolidated valuation places Bharti at nearly 20-25% premium vs GEM wireless majors. Normalised EBITDA growth for Bharti is estimated at around 15% vs growth of GEM majors at around 10%. Upside risks to our PO could stem from 1) stronger than expected profit contribution from Bharti-Africa, 2) sooner than expected industry consolidation in India, and 3) unforeseen 3G adoption in India. Weaker than expected subscriber quality and renewed competitive intensity in India, weak 3G impact, dramatic regulatory changes and poor execution in Africa pose downside risks.

Link to Definitions

Media & Telecom

Click [here](#) for definitions of commonly used terms.

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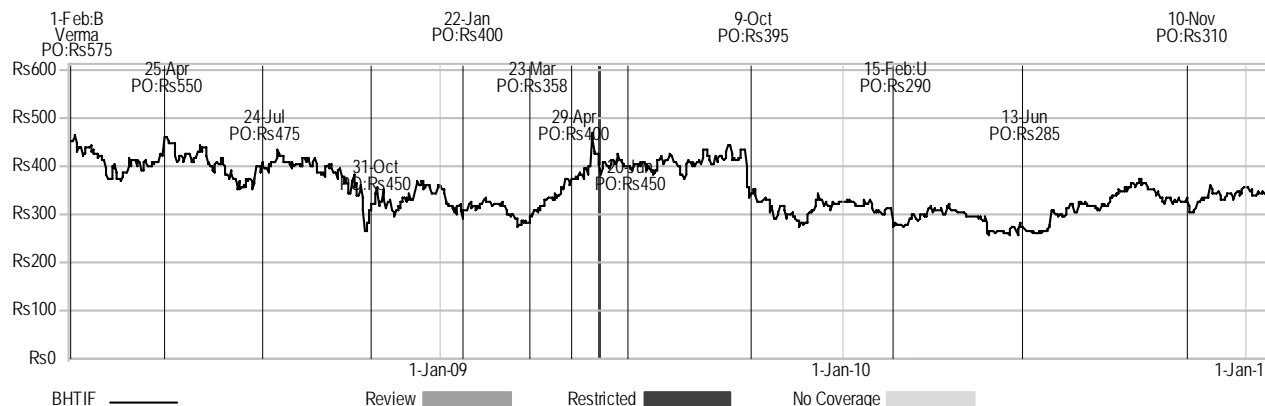
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BHTIF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR : No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2011 or such later date as indicated.

Investment Rating Distribution: Telecommunications Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	84	49.41%	Buy	37	52.86%
Neutral	50	29.41%	Neutral	26	60.47%
Sell	36	21.18%	Sell	14	46.67%

Investment Rating Distribution: Global Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

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11 February 2011

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