Bharti Airtel BRTI.BO BHARTI IN

TELECOMS

NOMURA
EQUITY RESEARCH

July 13, 2011

Rating Remains	**Buy**
Target price Remains	INR 412
Closing price July 12, 2011	INR 387
Potential upside	+6.5%

Conference call takeaways

Needs bigger wins for bigger gains

Action/valuation: Not inexpensive at 19x P/E

Bharti is up 8% YTD, outperforming the local market by 18%. Following our recent discussion with the company and taking stock of various key developments, we note that operating trends may not change much in India over the coming quarters – wireless prices are believed to be stable and 3G is picking up, although still a very small base. Regulations remain a work-in-progress. Its African operations are also making slow-and-steady progress – both on price adjustments and network outsourcing/ transformation; gradual margin uptick is likely. But Bharti isn't inexpensive at FY12F P/E of 19x – also now trading at a slight premium to historical multiples. We will review our rating/ estimates pending the results in August, but do expect the stock to consolidate around current levels in the near term. Broader market movements will be another variable.

Conference call takeaways

1) Stable domestic trends with little movement on the pricing front; 2) data traction appears to be exceeding management's expectations, but too early for it to be a meaningful contributor – around 3mn 3G subs so far; 3) Bangladesh and Sri Lanka EBITDA trends are improving despite competition concerns; 4) In Africa, a number of capex contracts have been moved to a managed capacity model, and there were no major headline tariff promotions in the quarter; 5) Tower restructurings are still a work-in-progress; and 6) New Telecoms Policy (NTP-11) is anticipated by end of this year – and Bharti does not anticipate any onerous measures.

Catalysts: Domestic trends, Africa margins and regulations

31 Mar	FY11	FY12F		FY13F		FY14F	
Currency (INR)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	594,672	699,404	699,404	787,929	787,929	856,761	856,761
Reported net profit (mn)	60,468	75,638	75,638	95,172	95,172	104,818	104,818
Normalised net profit (mn)	65,865	75,638	75,638	95,172	95,172	104,818	104,818
Normalised EPS	17.4	19.9	19.9	25.1	25.1	27.6	27.6
Norm. EPS growth (%)	-24.9	14.8	14.8	25.8	25.8	10.1	10.1
Norm. P/E (x)	22.3	N/A	19.4	N/A	15.4	N/A	14.0
EV/EBITDA	10.8	N/A	8.6	N/A	7.0	N/A	8.0
Price/book (x)	3.0	N/A	2.6	N/A	2.3	N/A	20.9
Dividend yield (%)	0.3	N/A	0.4	N/A	0.8	N/A	0.1
ROE (%)	13.4	14.5	14.5	15.9	15.9	15.3	15.3
Net debt/equity (%)	124.5	104.8	104.8	77.1	77.1	52.2	52.2

Source: Nomura estimates

Key company data: *See page 2 for company data and detailed price/index chart.*
Rating: *See report end for details of Nomura's rating system.*

Anchor themes

Improvements in Africa, progress on 3G/data and competition in India are key themes.

Nomura vs consensus

Our estimates for FY12-13F are broadly in line with consensus.

Research analysts

India Telecoms

Sachin Gupta, CFA - NSL
sachin.gupta@nomura.com
+65 6433 6968

Neeraja Natarajan - NSL
neeraja.natarajan@nomura.com
+65 6433 6961

Pankaj Suri - NFASL
pankaj.suri@nomura.com
+91 22 4053 3724

Gopakumar Pullaikodi - NFASL
gopakumar.pullaikodi@nomura.com
+91 22 4053 3733

Key data on Bharti Airtel

Income statement (INRmn)

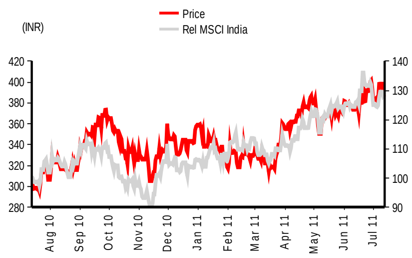
Year-end 31 Mar	FY10	FY11	FY12F	FY13F	FY14F
Revenue	396,149	594,672	699,404	787,929	856,761
Cost of goods sold	-58,734	-122,963	-139,018	-151,190	-164,706
Gross profit	337,415	471,709	560,386	636,739	692,055
SG&A	-237,604	-374,110	-434,141	-484,520	-528,094
Employee share expense	1,094	1,054	0	0	0
Operating profit	100,905	98,653	126,245	152,220	163,961
EBITDA	160,268	199,665	248,687	288,648	314,089
Depreciation	-60,457	-102,066	-122,442	-136,429	-150,128
Amortisation	1,094	1,054	0	0	0
EBIT	100,905	98,653	126,245	152,220	163,961
Net interest expense	5,783	-21,813	-25,706	-23,118	-18,809
Associates & JCEs	0	0	0	0	0
Other income	292	-57	0	0	0
Earnings before tax	106,980	76,783	100,539	129,102	145,152
Income tax	-13,959	-17,790	-24,129	-32,921	-39,191
Net profit after tax	93,021	58,993	76,410	96,181	105,961
Minority interests	-1,994	1,475	-772	-1,009	-1,143
Other items	-3,401	5,397	0	0	0
Preferred dividends	0	0	0	0	0
Normalised NPAT	87,626	65,865	75,638	95,172	104,818
Extraordinary items	3,401	-5,397	0	0	0
Reported NPAT	91,027	60,468	75,638	95,172	104,818
Dividends	-3,793	-3,794	-6,047	-11,346	-14,276
Transfer to reserves	87,234	56,674	69,591	83,826	90,542
Valuation and ratio analysis					
FD normalised P/E (x)	16.8	22.3	19.4	15.4	14.0
FD normalised P/E at price target (x)	17.8	23.7	20.7	16.4	14.9
Reported P/E (x)	16.1	24.3	19.4	15.4	14.0
Dividend yield (%)	0.3	0.3	0.4	0.8	0.1
Price/cashflow (x)	10.8	8.9	7.7	6.1	5.6
Price/book (x)	3.5	3.0	2.6	2.3	20.9
EV/EBITDA (x)	10.1	10.8	8.6	7.0	8.0
EV/EBIT (x)	16.1	21.9	16.9	13.4	15.3
Gross margin (%)	85.2	79.3	80.1	80.8	80.8
EBITDA margin (%)	40.5	33.6	35.6	36.6	36.7
EBIT margin (%)	25.5	16.6	18.1	19.3	19.1
Net margin (%)	23.0	10.2	10.8	12.1	12.2
Effective tax rate (%)	13.0	23.2	24.0	25.5	27.0
Dividend payout (%)	4.2	6.3	8.0	11.9	13.6
Capex to sales (%)	27.1	101.4	23.0	17.5	15.8
Capex to depreciation (x)	1.8	5.9	1.3	1.0	0.9
ROE (%)	25.4	13.4	14.5	15.9	15.3
ROA (pretax %)	16.5	9.4	8.5	10.0	10.7
Growth (%)					
Revenue	7.2	50.1	17.6	12.7	8.7
EBITDA	5.7	24.6	24.6	16.1	8.8
EBIT					
Normalised EPS	-7.3	-24.9	14.8	25.8	10.1
Normalised FDEPS	-7.4	-24.8	14.8	25.8	10.1
Per share					
Reported EPS (INR)	24.00	15.94	19.94	25.08	27.63
Norm EPS (INR)	23.10	17.36	19.94	25.08	27.63
Fully diluted norm EPS (INR)	23.10	17.36	19.94	25.08	27.63
Book value per share (INR)	109.04	128.54	146.88	168.97	18.50
DPS (INR)	1.00	1.00	1.59	2.99	0.36

Source: Nomura estimates

Notes

Africa will remain key driver for earnings upgrade

Price and price relative chart (one year)



(%)	1M	3M	12M
Absolute (INR)	3.5	6.7	26.6
Absolute (USD)	3.5	6.0	32.4
Relative to index	3.5	12.1	27.2
Market cap (USDmn)	32,849.3		
Estimated free float (%)	32.1		
52-week range (INR)	428.4/292		
3-mth avg daily turnover (USDmn)	40.17		
Major shareholders (%)			
Bharti Telecom Ltd	45.3		
Singapore Telecom	15.6		

Cashflow (INRmn)

Year-end 31 Mar	FY10	FY11	FY12F	FY13F	FY14F
EBITDA	160,268	199,665	248,687	288,648	314,089
Change in working capital	11,263	120,566	-9,393	-2,755	-2,912
Other operating cashflow	-35,180	-154,905	-48,828	-46,872	-49,001
Cashflow from operations	136,351	165,326	190,465	239,021	262,176
Capital expenditure	-107,376	-602,951	-161,076	-138,164	-135,783
Free cashflow	28,975	-437,625	29,390	100,856	126,393
Reduction in investments	-25,250	57,079	0	0	0
Net acquisitions	0	-372,676	0	0	0
Reduction in other LT assets	0	0	0	0	0
Addition in other LT liabilities	-9,463	0	0	0	0
Adjustments	34,713	315,597	0	0	0
Cashflow after investing acts	28,975	-437,625	29,390	100,856	126,393
Cash dividends	-3,793	-3,794	-6,047	-11,346	-14,276
Equity issue	27,568	0	0	0	0
Debt issue	-39,089	578,290	0	-90,000	-100,000
Convertible debt issue	0	0	0	0	0
Others	-10,903	-141,199	0	0	0
Cashflow from financial acts	-26,217	433,297	-6,047	-101,346	-114,276
Net cashflow	2,758	-4,328	23,343	-489	12,117
Beginning cash	11,145	13,903	9,575	32,918	32,429
Ending cash	13,903	9,575	32,918	32,429	44,546
Ending net debt	50,716	607,133	583,790	494,279	382,162

Source: Nomura estimates

Notes

FCF outlook driven by the Indian business in the near-term

Balance sheet (INRmn)

As at 31 Mar	FY10	FY11	FY12F	FY13F	FY14F
Cash & equivalents	13,903	9,575	32,918	32,429	44,546
Marketable securities	63,131	6,224	6,224	6,224	6,224
Accounts receivable	24,335	54,929	70,177	79,576	87,125
Inventories	484	2,139	2,246	2,358	2,476
Other current assets	37,494	39,210	39,210	39,210	39,210
Total current assets	139,347	112,077	150,775	159,797	179,582
LT investments	172	0	0	0	0
Fixed assets	443,808	651,426	669,493	676,055	666,109
Goodwill	36,771	0	0	0	0
Other intangible assets	15,904	637,317	662,317	662,317	662,317
Other LT assets	10,407	64,244	62,538	63,423	64,112
Total assets	646,409	1,465,064	1,545,122	1,561,592	1,572,120
Short-term debt	17,166	84,370	84,370	-5,630	-105,630
Accounts payable	21,372	197,947	207,574	217,465	230,137
Other current liabilities	109,572	87,528	83,862	80,728	72,811
Total current liabilities	148,110	369,845	375,806	292,563	197,318
Long-term debt	47,453	532,338	532,338	532,338	532,338
Convertible debt	0	0	0		
Other LT liabilities	8,657	46,650	50,384	65,263	79,350
Total liabilities	204,220	948,833	958,528	890,163	809,006
Minority interest	28,489	28,563	29,335	30,343	31,486
Preferred stock	0	0	0	0	0
Common stock	116,729	116,472	116,472	116,472	116,472
Retained earnings	297,248	357,446	427,038	510,864	601,406
Proposed dividends	0	0	0	0	0
Other equity and reserves	-277	13,750	13,750	13,750	13,750
Total shareholders' equity	413,700	487,668	557,260	641,086	731,628
Total equity & liabilities	646,409	1,465,064	1,545,122	1,561,592	1,572,120
Liquidity (x)					
Current ratio	0.94	0.30	0.40	0.55	0.91
Interest cover	na	4.5	4.9	6.6	8.7
Leverage					
Net debt/EBITDA (x)	0.32	3.04	2.35	1.71	1.22
Net debt/equity (%)	12.26	124.50	104.76	77.10	52.23
Activity (days)					
Days receivable	24.4	24.3	32.7	34.7	35.5
Days inventory	4.5	3.9	5.8	5.6	5.4
Days payable	124.7	325.5	533.8	513.1	496.0
Cash cycle	-95.9	-297.3	-495.3	-472.8	-455.1

Source: Nomura estimates

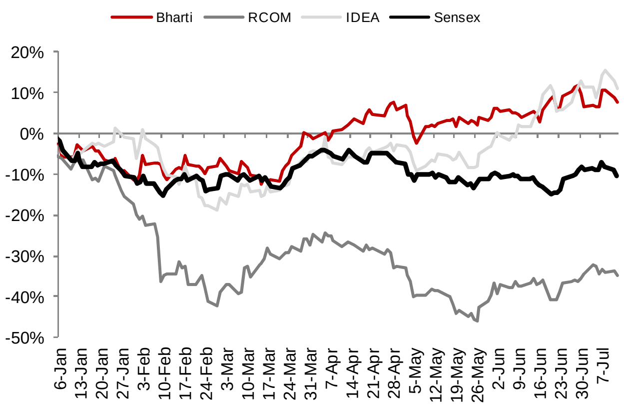
Notes

Gearing to be driven lower in time

Bharti – what's after INR400?

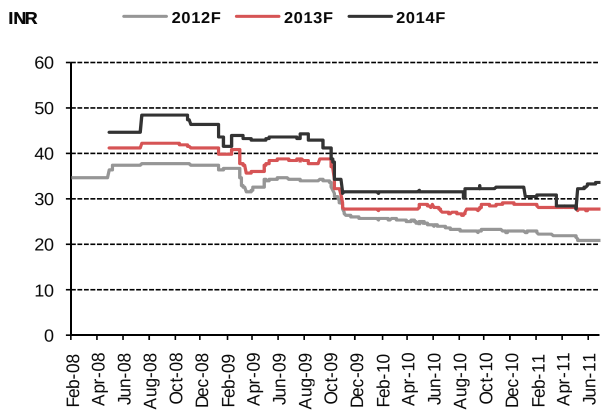
Bharti is up 8% YTD, outperforming the local market by 18%. Following our recent discussion with the company and taking stock of various key developments – we think the operating trends will likely remain stable in India over the coming quarters, Africa will continue to make slow-and-steady progress, and also we don't see much changing on the regulatory front; but these appear to be priced in Bharti's FY12F P/E of 19x. The stock is also now trading at a slight premium to historical multiples. Unless there is room for 10-20% EPS upgrade potential – which is conceivable (more from African business) – the stock isn't inexpensive at these levels. We will review our rating/ estimates pending the results in August, but do expect the stock to consolidate around current levels in the near term. Broader market movements will be another variable.

Fig. 1: Price performance YTD



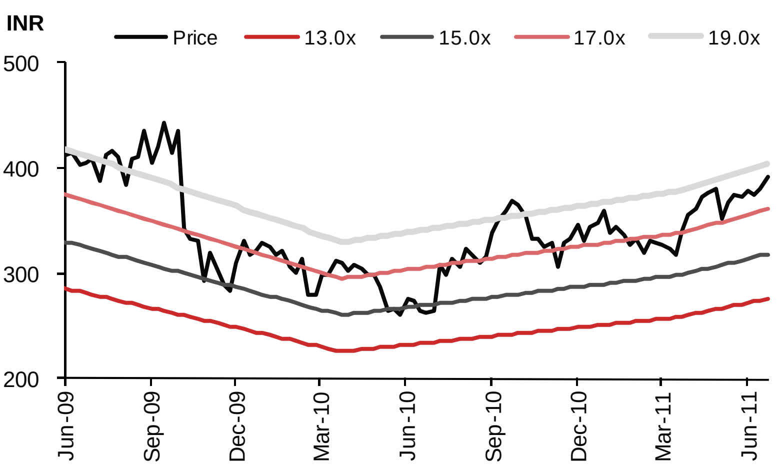
Source: Bloomberg, Nomura research

Fig. 2: Bharti - Consensus EPS revisions



Source: Bloomberg, Nomura research

Fig. 3: Bharti's 2 year historical trading band



Source: Nomura research

Key takeaways from recent call

Following our recent discussions with Bharti, we note:

- The domestic competitive environment is 'stable to improving', with little movement on the pricing front;
- Bharti's operating trends in terms of RPMs (revenue per minute) and traffic are stable; in fact, data traction appears to be exceeding management's expectations, but it is too early for it to be a meaningful contributor;
- Bangladesh and Sri Lanka are performing well and as profitability improves, could offer sources of upside. Conversations with players in these markets (Bangladesh and Sri Lanka) suggest Bharti is being controlled on investment; however pricing appears to be a primary strategy for Bharti. The DTH business too has been tracking well and could breakeven in next 12M – in 1Q, losses under the 'Others' segment fell by ~50%.
- Africa is tracking well and a number of capex contracts have been moved to a managed capacity model. Also there were no major headline tariff promotions in the quarter;
- Tower divestments etc are still a work-in-progress. Based on recent Bloomberg news *(Bharti Said to Seek Tower Unit IPO Valuing It at $10 Billion, July 12)*, Bharti is planning an IPO for its tower arm Infratel. The news has not been confirmed by the company, and the other details remain sketchy at this point. Based on our discussion with the company, we believe this could still be a 2012 event. However, listing Infratel ahead of Indus does remain an option for Bharti. Over time, as and when Indus is ready for listing, a plan for closer integration of the two businesses could also be considered, according to the company.
- New Telecoms Policy (NTP-11) is anticipated by end of this year – and Bharti does not anticipate any onerous measures.

Mobile – competition stabilizing even further

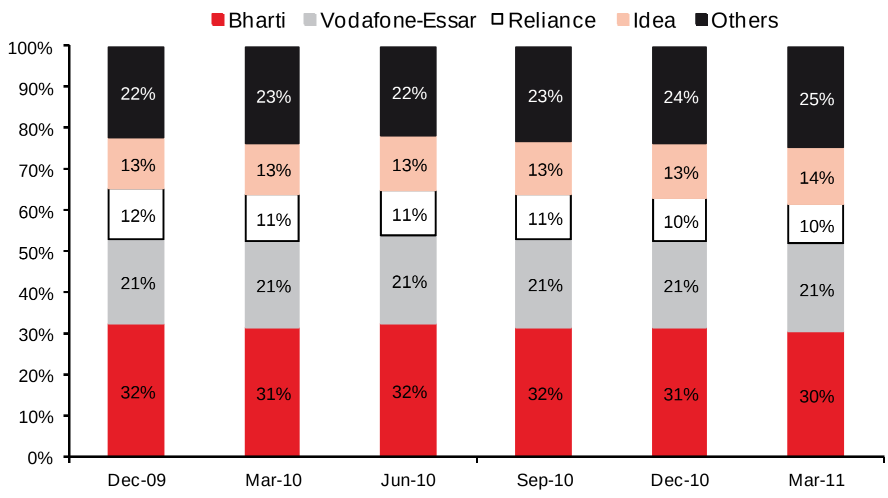
- Bharti highlighted that pricing trends continued to stabilize even further. We understand there has also been some upward revision on prices – the first in the last 12-18 months. For example Tata DoCoMo has raised STD tariffs for new subscriptions from 1 paisa per second to 2 paisa per second from the second year of subscription. *(Tata DoCoMo ups SMS, STD call rates, Business Line, June 30)*.
- We note in the past three quarters, sequential RPM declines have significantly moderated to 0-2% vs the 7-8% seen previously.

Fig. 4: RPM trends for top 4 players

q-q change %	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Bharti	-8%	-4%	-8%	-9%	-5%	-1%	-1%	-2%
RCOM	-4%	-18%	-5%	-3%	1%	0%	1%	0%
Idea	-8%	-4%	-8%	-10%	-6%	-3%	-1%	-3%
Vodafone	-8%	-7%	-6%	-8%	-4%	-2%	1%	-3%
Average RPM change	**-7%**	**-8%**	**-7%**	**-7%**	**-3%**	**-1%**	**0%**	**-2%**

Source: Company reports, Nomura research

Fig. 5: Revenue market share for top-4 and others



Source: TRAI, Nomura research

Factoring in data/ 3G into our numbers

- Bharti notes that take-up of 3G has been broad based between prepaid and postpaid subscribers. Contrary to their initial expectations that 3G may to some extent cannibalise GPRS, EDGE, it has served to increase awareness on these segments as well. They do acknowledge, however, for a better picture on revenue contribution and profitability will still take time to evolve.
- We note it is very early days to assess data contribution, and at this point break down our current estimates into voice and data. In FY11, data (i.e. SMS, EDGE/GPRS etc) contributed ~13% of revenues. We currently forecast this rising to 28% over the medium term. We also believe as a result, the ARPU decline could moderate to 3-6% y-y. Not too many markets in Asia are seeing ARPUs rise yet and we believe both competition/rural expansion would weigh on ARPU numbers, but data could buffer this impact in time.

Fig. 6: 3G / data assumptions for Bharti

	2011	2012	2013	2014
Total Subscribers (mn)	162	191	215	235
Postpaid subs (mn)	6.00	6.61	6.84	7.12
ARPU assumptions				
Data ARPU (INR)	26.7	34.3	40.2	49.1
Chg % y-y		*29%*	*17%*	*22%*
as a % of total ARPU	*13%*	*18%*	*22%*	*28%*
Voice ARPU (INR)	174	154	142	127
Chg % y-y		*-12%*	*-8%*	*-11%*
Blended ARPU	**201**	**188**	**182**	**176**
Chg % y-y		*-6%*	*-3%*	*-3%*
3G subs (mn)	-	11	24	47
Implied adoption as a % of total subs	0%	6%	11%	20%
3G ARPU (of 3G users)	-	145	133	123
3G revenues	**19,941**	**37,859**	**69,337**	**87,701**
Other data ARPU (SMS, EDGE, GPRS etc)	26.7	24.0	23.5	22.1
Other data revenues	**46,388**	**46,315**	**53,589**	**56,823**
Total Data revenues	**66,329**	**84,174**	**122,927**	**144,524**
Data revenues as % of total revenues	***13%***	***18%***	***22%***	***28%***

Source: Company reports, Nomura research

Regulatory update

- In terms of the New Telecom Policy, the final decisions are more likely to come by the end of this year. Incremental news flow on this has been low. Many outcomes are still possible – and it is likely that there will be cash outlays on spectrum charges and license renewals, but the magnitude and timing remains unclear. Regardless, given Bharti's relatively strong balance sheet, it should weather the impact better than the rest, in our view.

Fig. 7: Licence renewal/excess spectrum charges based on last published prices

				EXCESS SPECTRUM IMPACT	LICENSE FEE RENEWAL
Circle	Total spectrum	Excess spectrum over 6.2Mhz	Time period left for license	Pro-rata amount (INR bn) based on license life left	(INR bn)
Delhi	10.0	3.8	*4 years*	1.9	18.8
Mumbai	9.2	3.0	*11 years*	2.6	11.0
Kolkata	8.0	1.8	*4 years*	0.2	3.9
Maharashtra	6.2	2.0	*11 years*	4.1	14.8
Gujarat	8.0	1.8	*11 years*	3.5	15.7
AP	7.8	1.6	*9 years*	3.1	16.4
Karnataka	10.0	3.8	*9 years*	5.9	21.6
Tamil Nadu	9.2	3.0	*12 years*	7.7	24.4
Kerala	6.2	-	*11 years*	-	4.6
Punjab	7.8	1.6	*5 years*	0.7	7.4
Hary ana	8.0	1.8	*11 years*	1.1	2.8
UP (W)	8.0	1.8	*12 years*	3.4	15.1
UP (E)	6.2	-	*14 years*	-	3.7
Rajasthan	6.2	-	*7 years*	-	6.6
MP	6.2	-	*11 years*	-	5.4
West Bengal	6.2	-	*14 years*	-	2.8
HP	6.2	-	*14 years*	-	0.6
Bihar	8.0	1.8	*14 years*	1.9	5.9
Orissa	8.0	1.8	*14 years*	0.9	2.8
Assam	8.0	1.8	*14 years*	0.4	1.2
North East	4.4	-	*14 years*	-	0.5
J&K	6.2	-	*14 years*	-	0.5
Total (per MHz) for pan-India	Total price	31.4		37.5	186.5
Total (US$mn for 6.2 MHZ)	otal price US$mn			833	4,145

Source: TRAI, Nomura estimates

Africa – making progress, but this remains an unknown factor

- The business is still transitioning – but Bharti notes that operating trends are tracking well and there were no major headline tariff promotions in the quarter.
- The company has awarded most of its managed services contracts recently which should see it extract further synergies over the coming quarters – opex and capex.
- Bharti once again reaffirmed that they should be able to manage investment within the guidance of US$1-$1.2bn over the coming few years.

Fig. 8: African quarterly trends

	1Q11	2Q11	3Q11	4Q11
Revenue INR mn	9,583	38,906	40,531	41,815
Revenue growth (QoQ)		*306%*	*4%*	*3%*
EBITDA INR mn	2,640	8,989	9,462	10,157
EBITDA growth (QoQ)		*240%*	*5%*	*7%*
EBITDA Margin	*28%*	*23%*	*23%*	*24%*
Total Subs mn	36	40	42	44
Implied ARPUs (US$)	7.4	7.4	7.3	7.2
MoU	103	112	120	115
RPM (US$c)	7.2	6.6	6.1	6.2
Network cell sites	10,840	10,998	11,338	11,912

Source: Company report, Nomura research

Re-jigging organizational structure

Bharti has undertaken another round of organizational restructuring, and aims to achieve the following.

- higher level of synergies;
- common interface for customers; and
- reducing layers in the organizational hierarchy and hence making Bharti even more 'agile'.

This will be effective by 1 August this year. Although we don't see much financial impact of this on our forecasts; Bharti is becoming a much more complex organisation with businesses in over 18 countries now – so any simplification will assist with decision making and capital deployment decisions.

As part of the restructuring, two main Customer Business Units (CBU) will be formed, which will focus on the following segments:

- B2C (Business to Customer): This CBU will be formed by combining Mobile, Telemedia, Digital TV, and some other businesses like M-commerce, M-health, M-advertising etc. Also, the primary focus would be retail consumers, homes and small offices.
- B2B (Business to Business): B2B CBU will comprise of Consumer Business and Market Operations.
  - Consumer Business – this vertical would be focusing on improving user experience, planning/ launching new services, and developing the requisite ecosystem for these. Mr K Srinivas will head this vertical.
  - Market Operations – this vertical would be implementing Bharti's 'go-to-market' strategy. For this, market operations in India & South Asia will be divided in to three regions: (i) North, East and Bangladesh operations will be headed by Mr Ajai Puri, (ii) South and Sri Lanka operations will be headed by Mr Vineet Taneja; and operations in the West will be headed by Mr Raghunath Mandava.

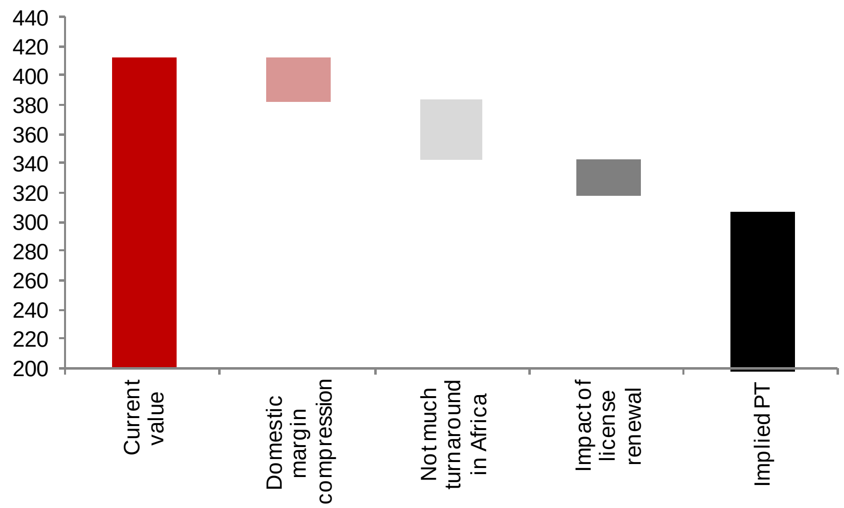
What is the upside/ downside potential?

The three key variables, we believe, are: 1) Indian domestic earnings; 2) African earnings and capex; and 3) regulatory payments. Based on these, we derive a valuation range of INR319 to INR519. Admittedly, this is a very wide range and in itself highlights many moving parts and assumptions in the businesses.

The bear case …

- If we were to assume that domestic margins compress to 31%, from 35% currently, in over two years, which implies an 12-15% drop in core wireless prices, our NPV would decline by INR29, or ~7% of our TP.
- On Africa, if margins stay at current mid-20% levels and capex remains around USD900mn to USD1bn pa, our NPV declines by a further INR40, or 10% of our TP.
- Finally, if we were to assume USD2bn impact from NPV of license renewals and excess spectrum payment for 6.2Mhz, over and above the USD500mn already factored in, the implied impact is INR24, or 6% of our TP.
- Collectively, we see potential for downside of up to INR93 per share from our current TP.

Fig. 9: Implied valuation in bear case



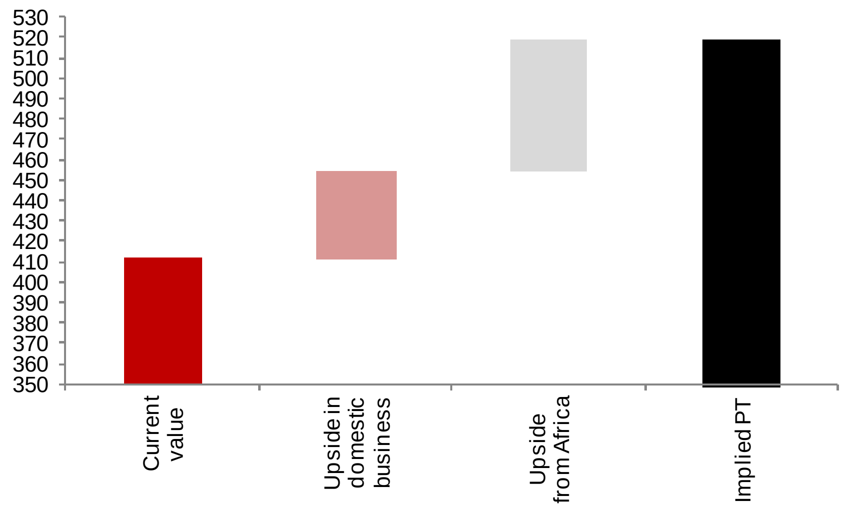
Source: Nomura estimates

The bull case … the blue-sky scenario

- If we were to assume domestic margins remain flat at 35%, vs our assumption of a decline to 33% currently, which essentially means stable wireless prices, our NPV would rise by INR42.
- On Africa, if margins do rise to management's target of 40% by 2013F, with capex rising to around USD1.2bn pa, our NPV would rise a further INR65.
- Finally, the bull case also assumes no further regulatory overhangs over and above our currently assumed USD500mn outlay.

All in, we find the upside potential could be up to INR107/ share from our current TP.

Fig. 10: Implied valuation in bull case



Source: Nomura estimates

Valuation Methodology Our target price of INR412 is DCF-based, assuming WACC of 9.2% and a terminal growth rate of 3%. Cashflows are discounted back to FY17F.

Risks that may impede the achievement of the target price Key risks include:
1) delayed turnaround in Africa; 2) increased competition in India; and 3) unfavourable regulatory conditions.

Appendix A-1

Analyst Certification

We, Sachin Gupta and Neeraja Natarajan, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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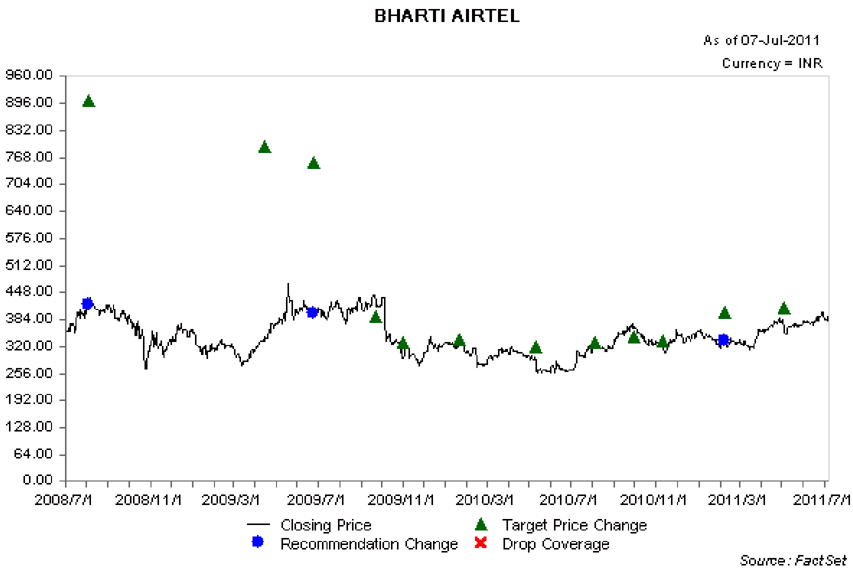
Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Bharti Airtel	BHARTI IN	INR 387	12-Jul-2011	Buy	Not rated	

Previous Rating

Issuer name	Previous Rating	Date of change
Bharti Airtel	Neutral	09-Feb-2011

Bharti Airtel (BHARTI IN) **INR 387 (12-Jul-2011)** Buy (Sector rating: Not rated)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
05-May-2011		412.00	357.60
09-Feb-2011		400.00	332.35
09-Feb-2011	Buy		332.35
11-Nov-2010		332.00	317.45
30-Sep-2010		344.00	365.90
04-Aug-2010		330.00	323.15
11-May-2010		320.00	285.20
22-Jan-2010		335.00	321.30
02-Nov-2009		330.00	292.15
23-Sep-2009		392.00	413.40
25-Jun-2009		758.00	398.95
25-Jun-2009	Neutral		398.95
15-Apr-2009		793.00	342.55
05-Aug-2008		905.00	419.80
05-Aug-2008	Buy		419.80

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of INR412 is DCF-based, assuming WACC of 9.2% and a terminal growth rate of 3%. Cashflows are discounted back to FY17F.

Risks that may impede the achievement of the target price Key risks include: 1)delayed turnaround in Africa; 2)increased competition in India; and 3)unfavourable regulatory conditions.

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS
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