

BHARTI AIRTEL

Neutral

CMP:647.40

| | |
|----------|------------|
| BSE Code | 532454 |
| NSE Code | BHARTIARTL |

Key Data

| | |
|----------------------|-----------|
| Sensex | 9300.86 |
| 52 week H/L (Rs.) | 950/484 |
| Jan month H/L (Rs.) | 725/576 |
| Market Cap (Rs cr) | 122891.41 |
| Avg. daily vol. (6m) | 995376 |
| Face Value | 10 |

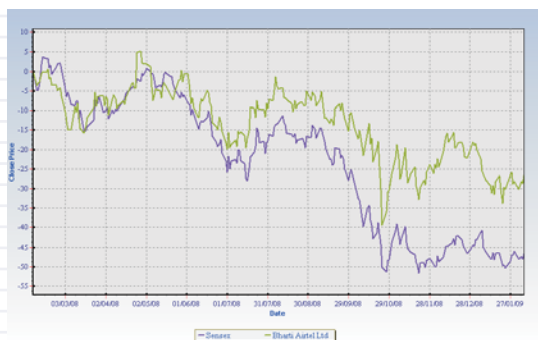
Source: Capitaline

Shareholding Pattern (%)

| | |
|----------------------------|-------|
| Promoters | 67.15 |
| Institution | 6.47 |
| Foreign holding | 22.56 |
| Non-promoter corp. holding | 2.63 |
| Public & Others | 1.20 |

Source: Capitaline

One-Year Performance (Rel. to Sensex)



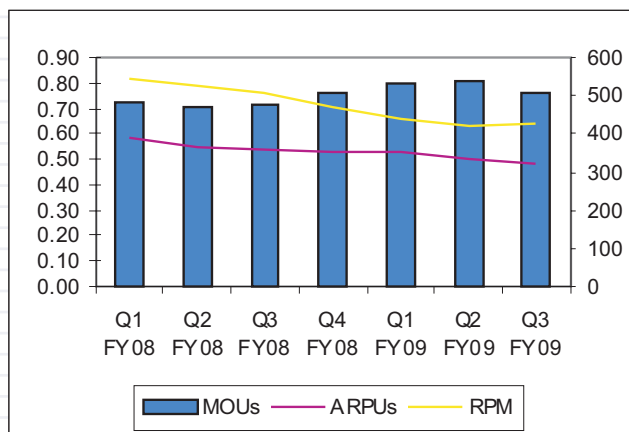
Source: Capitaline

Bharti's Q3 FY09 Net Revenues stood at Rs.9633 cr up by 6.8% QoQ & 38.3% YoY. Mobile business segment which contributes 82% of total Revenues grew by 9% while Telemedia & Enterprise services business reported flat growth. Passive Infrastructure business reported growth of 6% QoQ which contributed 13% to the total revenue. ARPUs & MOUs for the quarter declined by 3.3% & 5.8% respectively.

Mobile Business Segment

In mobile business, market share of the company improved by 110 bps to 24.7% also expanding its network coverage to 79% of the total population. During the quarter company launched its services in Srilanka where the response was very encouraging and it also obtained additional spectrum in four service areas of Rajasthan, North-East, Maharashtra and Bihar. Mobile segment revenue grew by 8.99% with 31.4% EBIDTA margin, improvement of 123 bps.

Trend of MOUs – ARPUs & RPM



Telemedia Segment

In telemedia segment, Bharti's revenue remained flat at Rs.846 cr & EBIDTA margins stood at 41.75%, a decline of 181bps. It added 1,10,000 customers who subscribed to voice & database out of which 38% are subscribed to both broadband & DSL services.

Enterprise Services

Enterprise services segment revenue growth remained flat at Rs.2181 cr which contributed 23% to the revenues. EBIDTA margins stood at 44.9% which improved by 210bps.

Passive Infrastructure

- Bharti added 1390 towers during the quarter, total number of towers at the end of Q3FY09 was 61355. Passive infrastructure revenues grew by 6% QoQ to Rs1270 cr. EBIDTA margins for this segment stood at 33.52% against 33.31% last quarter.
- Net finance cost declined sharply by 67% to Rs190 cr due to lower derivatives & forex losses (Rs220 cr against Rs590 cr last quarter)
- Net profit of the company in Q3 FY09 stood at Rs2160 cr against Rs2046 cr up by 6% QoQ.

Recent Development

The company has launched DTH services in October 2008 in 62 cities across India and got encouraging response from the customers. The company is adding about one lakh customers per month for DTH services.

On 12th January 2009, Bharti launched its mobile services in Sri Lanka under the Airtel brand on 3.5G network. Bharti Airtel plans to invest around USD 200 million in its Sri Lanka operations and has already invested about USD 100 million.

The company has also launched IPTV services. It has launched Triple Play with Airtel digital TV interactive – Telephone, Broadband and TV on a single line on January 19, 2009.

Outlook & Recommendation

Going forward, ARPUs is going to remain under pressure due to intense competition in the industry. During the quarter RCOM roll out its all India GSM services and offered lucrative schemes to give run for their money to the incumbents. However we think that schemes offered by RCom are just an entry point strategies as are loss-making propositions.

We think that Bharti will not be able to maintain its subscriber addition growth rate and margins after other players launch their services.

AT CMP of Rs648, the stock is trading at 14.1x its Q3FY09 annualized EPS of Rs46. We have a "Neutral" Rating on the stock.

Financial Highlights

| Particulars | Q3 FY09 | Q2 FY09 | QoQ(%) | Q3FY08 | YoY(%) |
|-------------------------------------|---------|---------|--------|--------|--------|
| Net Sales | 9633.4 | 9020.3 | 6.8 | 6963.9 | 38.3 |
| Total Expenditure | 5688.4 | 5321.0 | 6.9 | 4000.5 | 42.2 |
| Operating Profit | 3945.0 | 3699.3 | 6.6 | 2963.4 | 33.1 |
| Other Income | 23.9 | 11.4 | 109.4 | 58.6 | -59.3 |
| Total Income | 3968.9 | 3710.7 | 7.0 | 3022.0 | 31.3 |
| Interest | 190.4 | 574.1 | -66.8 | 81.0 | 135.1 |
| PBDT | 3778.5 | 3136.6 | 20.5 | 2941.0 | 28.5 |
| Depreciation | 1270.2 | 1154.9 | 10.0 | 1037.7 | 22.4 |
| Tax | 255.8 | 124.7 | 105.1 | 156.4 | 63.6 |
| Reported Profit After Tax | 2252.5 | 2106.4 | 6.9 | 1746.9 | 28.9 |
| Exceptional Items/Minority Interest | 92.9 | 60.1 | 54.6 | 24.5 | 279.2 |
| Profit After Extra-ordinary item | 2159.6 | 2046.3 | 5.5 | 1722.4 | 25.4 |
| Equity | 1897.91 | 1897.91 | | 1897.8 | |
| EPS | 45.51 | 43.13 | | 36.3 | |
| OPM (%) | 40.95 | 41.01 | | 42.55 | |
| NPM (%) | 22.42 | 22.69 | | 25.09 | |

| Operational Matrix | Q3FY08 | Q4FY08 | Q1FY09 | Q2FY09 | Q3FY09 |
|--------------------------|--------|--------|--------|--------|--------|
| MOUs | 474 | 507 | 534 | 536 | 505 |
| ARPUs | 358 | 357 | 350 | 335 | 324 |
| RPM | 0.76 | 0.70 | 0.66 | 0.63 | 0.64 |
| Total Wireless Customers | 5.52 | 6.20 | 6.94 | 7.75 | 8.57 |

DISCLAIMER

This document has been prepared by Anagram Stock broking Ltd. (Anagram), for use by the recipient only and not for circulation. The information and opinions contained in the document have been compiled from sources believed to be reliable. Anagram does not warrant its accuracy, completeness and correctness. This document is not, and should not be construed as, an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from us. Anagram and the analyst(s), including his dependant family members may have an interest in the securities recommended above. To unsubscribe, send a mail to unsubscribechinta@gmail.com

RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period
Accumulate Expected to appreciate up to 20% over a 12-month period
Hold Expected to remain in a narrow range
Avoid Expected to depreciate up to 10% over a 12-month period
Exit Expected to depreciate more than 10% over a 12-month period