

Bharti Airtel Limited

3Q FY12 Wrap: Tepid quarter but fundamentals of wireless business remain intact; maintain OW

- India wireless – Bharti remains disciplined on its tariff hike, but to remain conscious of revenue market share movement:** Bharti's ARPMs increased 3.2% Q/Q in 3QFY12, which is encouraging, but due to negative elasticity MOUs declined about 1%, as a result of which ARPU moved up 2.2% Q/Q. Management suggested that it will take some time before subscribers absorb the tariff hike, but it does not intend to reverse the idea in a haste. However, management is assured to keep a focus on revenue market share and we believe that in case of a meaningful decline in Bharti's market share, the company will likely reconsider the tariff hike. We have repeatedly mentioned in our notes that in emerging markets (such as India) penetration gains are highly correlated to tariff decline and we believe Bharti will likely reduce tariffs to remain competitive.
- Mixed quarter from Africa:** African operations delivered modest revenue growth (5pp in LC) and a 40 bps margin expansion, while operational metrics were mixed. Minutes growth was light at 3% Q/Q (after growing 10% last quarter), but we are pleased with a 5.2% increase in subscriber base. It continues to gain market share in the markets it operates.
- EBITDA margin for India business declined 1.7pp, which drove bottom-line miss.** However, we note that the Wireless business, which contributes more than 75% of India revenues, reported flat margins. Tele-media and Enterprise businesses witnessed margin contraction, partially due to certain one time items. Management expressed confidence to expand margins in these businesses going forward.
- Forecast changes:** We tweak our FY13 consolidated revenue estimates by -2% building in conservatism in India revenues. We reduce our FY12/FY13 EBITDA margin estimates by 1.9pp/3.7pp and our EPS estimates by 25%/20% to Rs12.4/22.0 due to the 3Q miss and lower margin estimates for India.
- Maintain Overweight, with new Sep-12 price target of Rs410** (down from Rs475). Our SOTP value is Rs447, to which we make a Rs37/share adjustment for regulatory risk. Key risks: negative elasticity in India, delays in regulatory clarity, and a slowdown in Africa momentum.

Bharti Airtel Limited (Reuters: BRTI.BO, Bloomberg: BHARTI IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	418,472	595,816	719,028	810,201	895,987
EBITDA (Rs mn)	168,098	201,175	237,457	279,448	323,899
EBITDA margin	40.2%	33.8%	33.0%	34.5%	36.2%
Net Profit (Rs mn)	99,587	61,774	46,955	83,594	113,712
Adjusted EPS (Rs)	26.3	16.3	12.4	22.0	29.9
Adjusted EPS growth (%)	17.5%	(38.0%)	(24.0%)	78.0%	36.0%
EV/EBITDA (x)	7.9	9.7	5.8	4.7	3.7
Adjusted P/E	13.48	21.76	28.63	16.08	11.82
FCF to mkt cap (%)	4.0%	3.5%	7.3%	9.1%	12.5%
ROE	27.8%	13.3%	8.9%	14.7%	17.6%
Net debt/EBITDA	(0.1)	2.8	2.9	2.2	-

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

BRTI.BO, BHARTI IN

Price: Rs354.00

▼ **Price Target: Rs410.00**
Previous: Rs475.00

India

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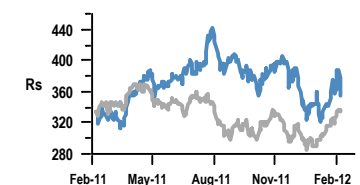
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Price Performance



	YTD	1m	3m	12m
Abs	3.1%	7.0%	-10.9%	6.2%
Rel	-13.0%	-6.1%	-12.4%	5.2%

Company Data

52-wk range (Rs)	447.85 - 308.95
Mkt cap (Rs mn)	1,344,326
Mkt cap (\$ mn)	27,316
Shares O/S (mn)	3,798
Free float (%)	31.7%
3-mth avg trading volume	7,054,933
3m Average daily value (\$ mn)	52.36
NIFTY	5,368
Exchange Rate	49.21
Price (Rs)	354.00
Date Of Price	08 Feb 12

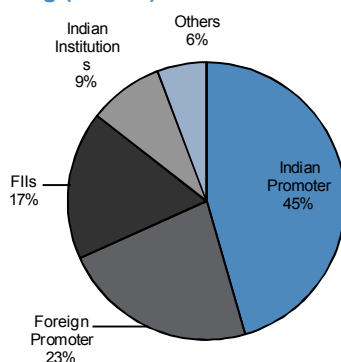
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Company Description

Bharti Airtel Limited, a group company of Bharti Enterprises, is an integrated telecom services provider with operations in India, Sri Lanka, Bangladesh and now Africa. Established in 1995 by Sunil Mittal, Bharti Airtel has 20% subscriber share in India and ~30% revenue share. It recently completed the acquisition of Zain's African assets in 16 countries. Bharti Airtel has had a strong execution track record over the past few years and a high quality management team, in our view.

Shareholding (Mar-11)



Source: BSE.

J.P. Morgan vs. consensus (Including Africa)

Sales		
Rs MM	J. P. Morgan	Consensus
FY12E	719,028	717,495
FY13E	810,201	825,881
EBITDA		
Rs MM	J. P. Morgan	Consensus
FY12E	237,457	243,595
FY13E	279,448	295,514
EPS		
In Rs	J. P. Morgan	Consensus
FY12E	12.4	14.7
FY13E	22.0	24.6

Source: Bloomberg, J.P. Morgan.

P&L sensitivity metrics

	FY12E EBITDA impact (%)	FY12E EPS impact (%)
Wireless India & SEA revenue (Rs mn)	403,651	
Impact of each 5%	2.9%	9.8%
Fixed revenue (Rs mn)	37,687	
Impact of each 5%	0.4%	1.3%
EBITDA margin (%)	33.0%	
Impact of each 1%	3.0%	10.3%
Capex (Rs mn)	140,306	
Impact of each 5%	NA	0.9%

Source: J.P. Morgan estimates.

Price target and valuation analysis

Our Sep-12 PT of Rs410 is based on our SOTP valuation and a quantified adjustment for regulatory risks. Our SOTP value is Rs447, comprising Bharti's core business at Rs371, passive infrastructure at Rs26, while Africa is value-additive to the extent of Rs21 and Bharti's 36% effective stake in Indus adds Rs29. To this we make a Rs37/share adjustment for regulatory risks to get to our PT.

Risk-free rate:	8.5%
Market risk premium:	7.0%
Beta:	0.9
Debt/capital	30.0%
Cost of debt:	8.5%
Terminal "g":	3.0%
WACC	12.0%

Source: J.P. Morgan estimates

We highlight the following risks to our rating and price target: Downside risks: 1) delay in clarity in the regulatory environment and the impact exceeding the Rs37/share we factor in; 2) negative elasticity in India; 3) 3G data pricing competition; 4) slower subscriber growth than we forecast; and 5) slowdown in Africa momentum.

Table 1: Consolidated financial results

INR in millions, year-end March

Consolidated	3QFY12	3QFY12	3QFY12	Actual	Actual.		%		%
	Actual	JPM	Cons est	Vs. JPM	Vs. Cons	2QFY12	Q/Q	3QFY11	Y/Y
Revenue	184,767	183,517	184,274	0.7%	0.3%	172,698	7.0%	157,721	17.1%
Interconnection / access costs	(26,234)	(24,200)		8.4%		(23,311)	12.5%	(20,346)	28.9%
License fee and spectrum	(15,435)	(15,136)		2.0%		(14,507)	6.4%	(13,507)	14.3%
Network operating costs	(40,669)	(38,908)		4.5%		(38,038)	6.9%	(32,916)	23.6%
Employee Costs	(8,505)	(8,346)		1.9%		(8,691)	-2.1%	(9,134)	-6.9%
SG&A	<u>(34,340)</u>	<u>(31,072)</u>		<u>10.5%</u>		<u>(30,004)</u>	<u>14.5%</u>	<u>(32,027)</u>	<u>7.2%</u>
Total operating expense	(125,183)	(117,662)		6.4%		(114,551)	9.3%	(107,930)	16.0%
EBITDA	59,584	64,168	62,910	-7.1%	-5.3%	58,155	2.5%	50,017	19.1%
margin (%)	32%	35%	34.1%	-2.72pp	-1.89pp	34%	-1.43pp	32%	0.54pp
Net income	10,113	16,567	13,418	-39.0%	-24.6%	10,270	-1.5%	13,235	-23.6%
Diluted EPS	2.66	4.36	3.53	-38.9%	-24.6%	2.70	-1.5%	3.49	-23.6%

Source: Company reports, J.P. Morgan estimates, Bloomberg

Table 2: Operational Metrics – India

India	3QFY12	3QFY12E	Actual vs.		2QFY12	%	3QFY11	%
			JPM					
Subscribers ('000s)	175,653	176,529	-0.5%		172,783	1.7%	152,495	15.2%
Net adds ('000s)	2,870	3,746	-23.4%		3,596	-20.2%	9,203	-68.8%
Net adds per month ('000s)	957	1,249	-23.4%		1,199	-20.2%	3,068	-68.8%
Pre-paid share in base (%)	96.3%	96.3%	0.0pp		96.3%	0.0pp	96.2%	0.1pp
Churn (%)	7.9%	7.2%	0.7pp		7.2%	0.7pp	7.8%	0.1pp
Wireless Minutes (m) - India	219,152	229,436	-4.5%		217,408	0.8%	199,146	10.0%
MOU	419	437	-4.1%		423	-0.9%	449	-6.7%
Voice ARPM (paisa) JPM calculated	39.2	38.5	1.7%		37.9	3.3%	39.0	0.4%
Reported ARPM (paisa)	44.6	43.9	1.6%		43.2	3.2%	44.2	0.9%
ARPU (INR)	187	192	-2.5%		183	2.2%	198	-5.6%
VAS as a % of revenue	14.3%	14.3%	0.0pp		14.5%	-0.2pp	13.8%	0.50pp

Source: Company reports, J.P. Morgan estimates

Table 3: Operational Metrics – Africa

Africa	3QFY12	3QFY12E	Actual vs. JPMe	2QFY12	Q/Q	3QFY11	% Y/Y
Subscribers ('000s)	50,949	50,781	0.33%	48,437	5.2%	42,124	21.0%
Net adds per month ('000s)	837	781	7.16%	710	17.9%	681	23.0%
Pre-paid share in base (%)	99.30%	99.30%	0.0pp	99.30%	0.0pp	99.30%	0.0pp
Monthly churn	5.4%	6.0%	-0.6pp	6.1%	-0.7pp	5.9%	-0.5pp
Minutes (m)	18,496	20,050	-7.75%	17,950	3.0%	14,904	24.1%
Q/Q growth (%)	3%	12%	-8.7pp	10%	-6.8pp	17%	-13.6pp
ARPU (\$)	7.1	7.3	-2.73%	7.3	-2.7%	7.3	-2.7%
ARPU (INR)	359	333	7.84%	333	7.8%	329	9.4%
ARPM (cents)	5.7	5.4	5.21%	5.7	-0.1%	6.1	-6.6%
MOU	125	135	-7.21%	128	-2.3%	120	4.2%
VAS as a % of revenue	8.0%	8.5%	NA	8.5%	-0.5pp	7.9%	0.1pp
Network sites	14,112		NA	13,628	3.6%	11,338	24.5%
Sites added	484		NA	925	-47.7%	340	42.4%
Minutes per site (m)	1.3		NA	1.3	-0.5%	1.3	-0.3%

Source: Company reports, J.P. Morgan estimates

Table 4: Segment break-up: Revenue, EBITDA and Capex

	3QFY12	3QFY12E	Actual vs. JPMe	2QFY12	% Q/Q	3QFY11	% Y/Y
Revenue breakup							
Wireless	101,764	104,700	-2.8%	97,827	4.0%	91,620	11.1%
Telemedia (Fixed line and Broadband)	9,128	9,480	-3.7%	9,528	-4.2%	9,068	0.7%
Enterprise	11,881	10,989	8.1%	11,042	7.6%	10,546	12.7%
Passive Infrastructure	24,393	24,877	-1.9%	23,766	2.6%	21,972	11.0%
Other	3,993	4,314	-7.4%	3,994	0.0%	2,823	41.4%
<u>Eliminations</u>	<u>(19,530)</u>	<u>(20,454)</u>	<u>-4.5%</u>	<u>(19,367)</u>	<u>0.8%</u>	<u>(18,612)</u>	<u>4.9%</u>
Total India & South Asia	131,628	133,905	-1.7%	126,790	3.8%	117,417	12.1%
Africa	<u>53,577</u>	<u>49,611</u>	<u>8.0%</u>	<u>47,032</u>	<u>13.9%</u>	<u>40,530</u>	<u>32.2%</u>
Consolidated revenue	184,767	183,517	0.7%	172,698	7.0%	157,721	17.1%
EBITDA breakup							
Wireless	34,431	35,582	-3.2%	32,928	4.6%	31,914	7.9%
Telemedia (Fixed line and Broadband)	3,542	4,151	-14.7%	4,213	-15.9%	4,085	-13.3%
Enterprise	2,008	2,418	-17.0%	2,371	-15.3%	2,307	-13.0%
Passive Infrastructure	9,110	9,484	-3.9%	8,902	2.3%	8,487	7.3%
Other	(3,049)	(178)	1612.6%	(1,853)	64.5%	(3,734)	-18.4%
<u>Eliminations</u>	<u>(818)</u>	<u>(921)</u>	<u>-11.1%</u>	<u>(833)</u>	<u>-1.8%</u>	<u>(767)</u>	<u>6.7%</u>
Total India & South Asia	45,225	50,537	-10.5%	45,728	-1.1%	42,293	6.9%
Africa	<u>14,359</u>	<u>13,632</u>	<u>5.3%</u>	<u>12,427</u>	<u>15.5%</u>	<u>7,724</u>	<u>85.9%</u>
Consolidated EBITDA	59,584	64,168	-7.1%	58,155	2.5%	50,017	19.1%
EBITDA Margin (%)							
Wireless	33.8%	34.0%	-0.2pp	33.7%	0.2pp	34.8%	-1.0pp
Telemedia (Fixed line and Broadband)	38.8%	43.8%	-5.0pp	44.2%	-5.4pp	45.0%	-6.2pp
Enterprise	16.9%	22.0%	-5.1pp	21.5%	-4.6pp	21.9%	-5.0pp
Passive Infrastructure	37.3%	38.1%	-0.8pp	37.5%	-0.1pp	38.6%	-1.3pp
Other	-76.3%	-4.1%	-72.2pp	-46.4%	-30.0pp	-132.3%	55.9pp
<u>Eliminations</u>	<u>4.2%</u>	<u>4.5%</u>	<u>-0.3pp</u>	<u>4.3%</u>	<u>-0.1pp</u>	<u>4.1%</u>	<u>0.1pp</u>
Total India & South Asia	34.4%	37.7%	-3.4pp	36.1%	-1.7pp	36.0%	-1.7pp
<u>Africa (excl. Africa Others)</u>	<u>26.8%</u>	<u>27.5%</u>	<u>-0.7pp</u>	<u>26.4%</u>	<u>0.4pp</u>	<u>19.1%</u>	<u>NA</u>
Consolidated EBITDA margin	32.2%	35.0%	-2.7pp	33.7%	-1.4pp	31.7%	0.5pp
Capex breakup							
Wireless	1,838	10,991	-83.3%	12,011	-84.7%	16,877	-89.1%
Telemedia (Fixed line and Broadband)	1,510	1,724	-12.4%	1,348	12.0%	1,963	-23.1%
Enterprise	458	407	12.6%	116	294.8%	827	-44.6%
Passive Infrastructure	2,440	4,918	-50.4%	3,743	-34.8%	5,666	-56.9%
<u>Other & eliminations</u>	<u>1,569</u>	<u>3,748</u>	<u>-58.1%</u>	<u>3,407</u>	<u>-53.9%</u>	<u>3,919</u>	<u>-60.0%</u>
Total India & South Asia	7,815	21,788	-64.1%	20,625	-62.1%	29,252	-73.3%
<u>Africa</u>	<u>13,418</u>	<u>12,847</u>	<u>4.4%</u>	<u>26,662</u>	<u>-49.7%</u>	<u>13,959</u>	<u>-3.9%</u>
Consolidated Capex	21,233	34,634	-38.7%	47,287	-55.1%	43,211	-50.9%

Source: Company reports, J.P. Morgan

Forecast changes

Table 5: Bharti: New vs. old estimates

Rs in millions, year-end March

	FY12E	FY13E
Revenue		
New	719,028	810,201
Old	719,859	826,722
% Change	-0.1%	-2.0%
Y/Y growth (%)	20.7%	12.7%
EBITDA		
New	237,457	279,448
Old	251,239	315,511
% Change	-5.5%	-11.4%
Y/Y growth (%)	18.0%	17.7%
EBITDA Margin (%)		
New	33.0%	34.5%
Old	34.9%	38.2%
% Change	-1.9%	-3.7%
Reported Profit		
New	46,955	83,594
Old	62,698	104,287
% Change	-25.1%	-19.8%
Y/Y growth (%)	-24.0%	78.0%
EPS (INR)		
New	12.4	22.0
Old	16.5	27.5
% Change	-25.1%	-19.8%
Y/Y growth (%)	-24.0%	78.0%
Capex		
New	140,306	125,128
Old	157,706	140,236
% Change	-11.0%	-10.8%
Y/Y growth (%)	0.1%	-10.8%
Capex/sales		
New	19.5%	15.4%
Old	21.9%	17.0%
% point change	-2.4%	-1.5%

Source: J.P. Morgan estimates.

Table 6: Bharti India

Rs in millions, year-end March

	FY12E	FY13E
Revenue		
New	520,870	578,383
Old	528,884	605,264
% Change	-1.5%	-4.4%
Y/Y growth (%)	12.0%	11.0%
EBITDA		
New	184,387	206,599
Old	199,006	243,531
% Change	-7.3%	-15.2%
Y/Y growth (%)	7.4%	12.0%
Net Income		
New	58,532	77,187
Old	72,732	100,941
% Change	-19.5%	-23.5%
Y/Y growth (%)	-23.3%	31.9%
EPS		
New	15.4	20.3
Old	19.2	26.6
% Change	-19.5%	-23.5%
Y/Y growth (%)	-23.3%	31.9%
EBITDA Margin (%)		
New	35.4%	35.7%
Old	37.6%	40.2%
% Change	-2.2%	-4.5%
Capex		
New	68,788	67,694
Old	88,628	87,353
% Change	-22.4%	-22.5%

Source: J.P. Morgan estimates.

Table 7: Bharti Africa

Rs in millions, year-end March

	FY12E	FY13E
Revenue		
New	200,063	231,818
Old	192,440	221,458
% Change	4.0%	4.7%
Y/Y growth (%)	52.9%	15.9%
EBITDA		
New	53,070	72,850
Old	52,233	71,980
% Change	1.6%	1.2%
Y/Y growth (%)	79.5%	37.3%
EBITDA Margin (%)		
New	26.5%	31.4%
Old	27.1%	32.5%
% Change	-0.6%	-1.1%
Capex (US\$ m)		
New	1,513	1,209
Old	1,513	1,164

Source: J.P. Morgan estimates.

Table 8: Bharti: J.P. Morgan vs. consensus estimates

Rs in millions, year-end March

	FY12E	FY13E
<u>Sales</u>		
JPMe	719,028	810,201
Cons	717,495	825,881
<i>diff</i>	1,533	(15,680)
<i>% diff</i>	0%	-2%
<u>EBITDA</u>		
JPMe	237,457	279,448
Cons	243,595	295,514
<i>diff</i>	(6,138)	(16,066)
<i>% diff</i>	-3%	-5%
<u>EBITDA margin</u>		
JPMe	33.0%	34.5%
Cons	34.0%	35.8%
<i>% diff</i>	-0.9%	-1.3%
<u>Net Income</u>		
JPMe	46,955	83,594
Cons	55,677	93,584
<i>diff</i>	(8,722)	(9,990)
<i>% diff</i>	-16%	-11%
<u>Net margin</u>		
JPMe	6.5%	10.3%
Cons	7.8%	11.3%
<i>% diff</i>	-1.2%	-1.0%
<u>EPS</u>		
JPMe	12.4	22.0
Cons	14.7	24.6
<i>diff</i>	(2.30)	(2.63)
<i>% diff</i>	-16%	-11%

Source: J.P. Morgan, Bloomberg

Valuation and rating analysis

Our Sep-12 PT of Rs410 is based on our SOTP valuation and a quantified adjustment for regulatory risks. Our SOTP value is Rs447, comprising Bharti's core business at Rs371, passive infrastructure at Rs26, while Africa is value-additive to the extent of Rs21 and Bharti's 36% effective stake in Indus adds Rs29. To this we make a Rs37/share adjustment for regulatory risks to get to our PT.

Table 9: Bharti: Sum-of-the-parts valuation

Rs

	EV	Net debt	Equity value	Stake	Value per share - NEW	Value per share - OLD	Value per share - Change
Core business	1,546,046	136,677	1,409,369	100%	371	430	(59)
Passive Infrastructure	123,137	10,494	112,642	86%	26	30	(4)
Africa	554,306	456,265	98,041	81%	21	21	0
Indus	406,132	100,207	305,925	36%	29	29	0
Total	2,629,620	703,643	1,925,977		447	510	(63)
Adjustment for reg risk					(37)	(37)	0
Price Target					410	474	(63)

Source: J.P. Morgan estimates.

Risks to our view

We highlight the following risks to our rating and price target:

Downside risks: 1) delay in clarity in the regulatory environment and the impact exceeding the Rs37/share we factor in; 2) negative elasticity in India; 3) 3G data pricing competition; 4) slower subscriber growth than we forecast; and 5) slowdown in Africa momentum.

Bharti Airtel Limited: Summary of Financials

Profit and Loss Statement				Balance Sheet statement					
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	
Revenue	595,816	719,028	810,201	895,987	Cash and equivalents	9,575	686,089	678,747	704,298
EBITDA	201,175	237,457	279,448	323,899	Accounts receivable	54,929	68,309	72,132	79,769
D&A	(102,066)	(130,963)	(124,149)	(122,609)	Others	47,573	73,219	73,272	73,423
					Total Current assets	112,077	827,617	824,151	857,491
EBIT	99,109	106,495	155,299	201,290	Total current liabilities	369,845	543,188	551,112	573,511
Interest income	0	0	0	0	Net working capital	(257,768)	284,429	273,039	283,979
Interest expense	(21,855)	(36,517)	(33,724)	(32,041)	Net fixed assets	1,288,743	723,071	724,050	718,525
Net Interest expense	(21,855)	(36,517)	(33,724)	(32,041)	Other long term assets	64,244	86,967	86,967	86,967
Profit before tax	78,103	69,920	121,518	169,193	Total non-current assets	1,352,987	810,038	811,017	805,492
Tax	(17,802)	(22,841)	(36,226)	(53,305)	Total Assets	1,465,064	1,637,655	1,635,168	1,662,983
Net profit - reported	61,774	46,955	83,594	113,712	Long-term debt	532,338	507,406	429,487	345,692
Net profit - adjusted	61,774	46,955	83,594	113,712	Other liabilities	46,650	52,378	52,378	52,378
					Total Liabilities	948,833	1,102,972	1,032,977	971,581
Shares Outstanding	3,797	3,798	3,798	3,798	Shareholders' equity	516,231	534,683	602,191	691,402
EPS (Rs) (Reported)	16.3	12.4	22.0	29.9	Total liabilities and equity	1,465,064	1,637,655	1,635,168	1,662,983
EPS (Adjusted)	16.3	12.4	22.0	29.9	Net debt/(cash)	607,133	40,625	(29,951)	(139,298)
					Book value per share	135.95	140.80	158.57	182.07
Revenue growth	42.4%	20.7%	12.7%	10.6%					
EBITDA growth	19.7%	18.0%	17.7%	15.9%					
Net profit growth	(38.0%)	(24.0%)	78.0%	36.0%					
EPS growth	(38.0%)	(24.0%)	78.0%	36.0%					
EBITDA margin	33.8%	33.0%	34.5%	36.2%					
EBIT Margin	16.6%	14.8%	19.2%	22.5%					
Net margin	10.4%	6.5%	10.3%	12.7%					
Ratio Analysis				Cash flow statement					
% , year end Mar	FY11	FY12E	FY13E	FY14E Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	
P/E (Adjusted)	21.8	28.6	16.1	11.8	Cash flow from operations	187,342	238,677	247,212	285,148
EV/EBITDA	9.7	5.8	4.7	3.7	Capex	(140,101)	(140,306)	(125,128)	(117,084)
P/B	2.6	2.5	2.2	1.9	Cash flow from other investing	(491,241)	(52,069)	527	527
ROE	13.3%	8.9%	14.7%	17.6%	Cash flow from financing	396,983	(21,571)	(129,427)	(142,513)
ROCE	12.3%	8.9%	12.4%	16.1%	Change in cash for year	(18,640)	30,605	(6,816)	26,079
ROA	5.9%	3.0%	5.1%	6.9%	Beginning cash	26,501	6,008	36,613	29,798
FCF Yield	3.5%	7.3%	9.1%	12.5%	Closing cash	7,861	36,613	29,798	55,876
Capex to sales	(23.5%)	(19.5%)	(15.4%)	(13.1%)					
Debt/Capital	54.4%	57.6%	51.9%	45.0%	FCF	47,241	98,371	122,084	168,064
Net debt/EBITDA	2.8	2.9	2.2	-					

Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile

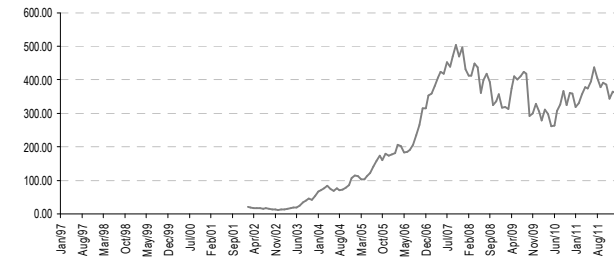
Bharti Airtel Ltd. (INDIA / Telecommunication Services)

As Of: 03-Feb-2012

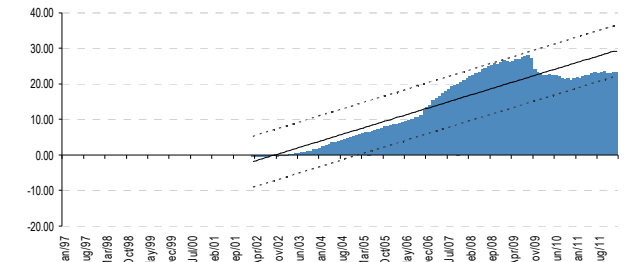
Global Equity Quantitative Analysis

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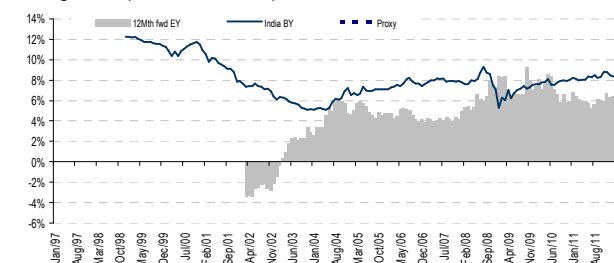
Local Share Price Current: **361.10**



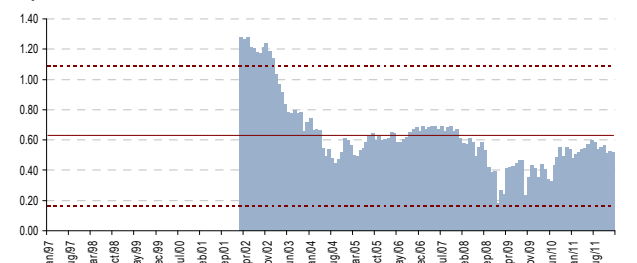
12 Mth Forward EPS Current: **23.15**



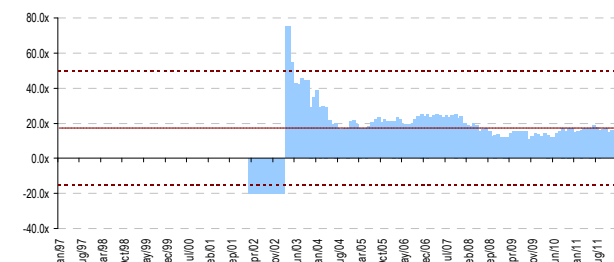
Earnings Yield (& local bond Yield) Current: **6%**



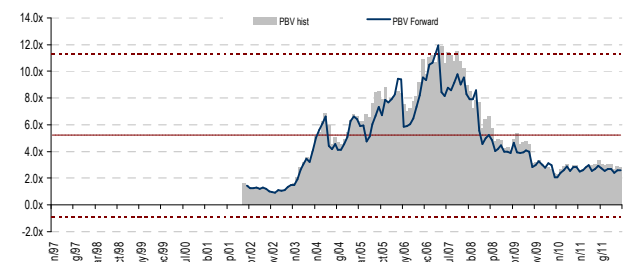
Implied Value Of Growth* Current: **51.92%**



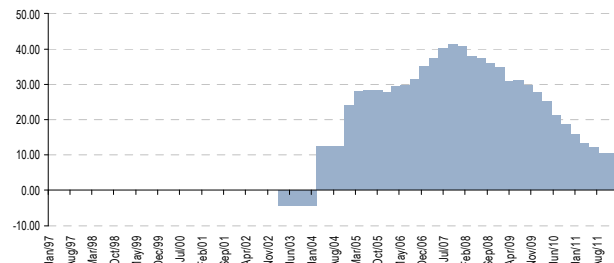
PE (1Yr Forward) Current: **15.6x**



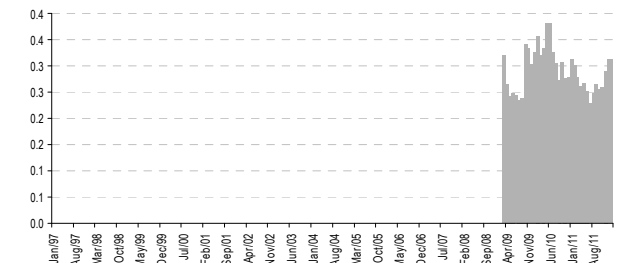
Price/Book Value Current: **2.8x**



ROE (Trailing) Current: **10.45**



Dividend Yield (Trailing) Current: **0.31**



Summary

Bharti Airtel Ltd.		SEDOL		6442327		As Of:		3-Feb-12			
INDIA						Local Price:		361.10			
Telecommunication Services						EPS:		23.15			
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	15.60x	-20.00	75.00	17.35	17.30	49.62	-15.01	-228%	381%	11%	11%
P/BV (Trailing)	2.83x	0.88	11.86	4.64	5.21	11.32	-0.90	-69%	319%	64%	84%
Dividend Yield (Trailing)	0.31	0.00	0.38	0.00	0.09	0.36	-0.18	-100%	22%	-100%	-72%
ROE (Trailing)	10.45	-4.25	41.27	27.94	23.16	49.93	-3.61	-141%	295%	167%	122%
Implied Value of Growth	51.9%	0.18	1.28	0.59	0.63	1.09	0.17	-65%	146%	13%	21%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

* Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity = Bond Yield + 5.0% (ERP)

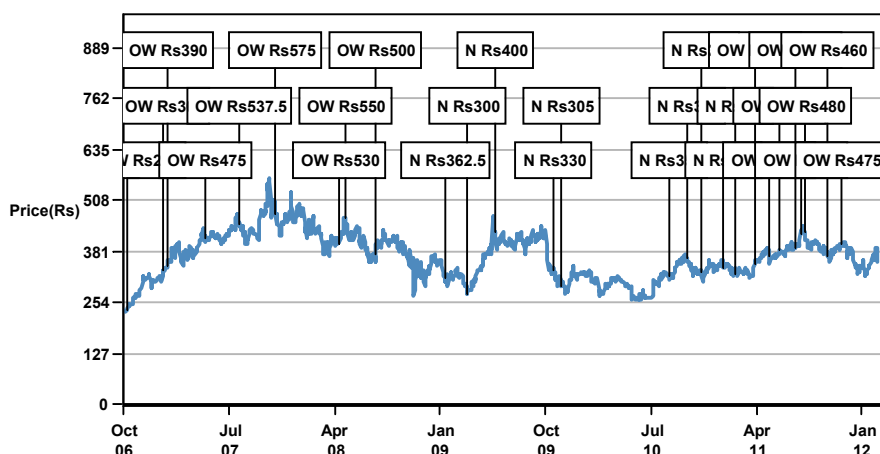
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Bharti Airtel Limited (BRTI.BO, BHARTI IN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Oct 10, 2006.

Date	Rating	Share Price (Rs)	Price Target (Rs)
10-Oct-06	OW	231.92	275.00
14-Jan-07	OW	332.35	365.00
24-Jan-07	OW	343.45	390.00
30-Apr-07	OW	413.12	475.00
27-Jul-07	OW	446.18	537.50
01-Nov-07	OW	471.48	575.00
11-Apr-08	OW	399.35	530.00
28-Apr-08	OW	462.65	550.00
17-Jul-08	OW	374.42	500.00
14-Jan-09	N	312.12	362.50
13-Mar-09	N	275.15	300.00
22-May-09	N	428.92	400.00
22-Oct-09	N	332.70	330.00
10-Nov-09	N	293.40	305.00
16-Aug-10	N	318.75	357.00
04-Oct-10	N	365.10	360.00
11-Nov-10	N	327.05	356.00
07-Jan-11	N	338.50	380.00
03-Feb-11	N	322.80	370.00
28-Mar-11	OW	347.80	410.00
06-May-11	OW	369.75	405.00
01-Jun-11	OW	381.60	440.00
12-Jul-11	OW	391.25	444.00
27-Jul-11	OW	424.60	485.00
04-Aug-11	OW	426.25	480.00
04-Oct-11	OW	369.90	460.00
05-Nov-11	OW	397.30	475.00

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IB clients*	72%	62%	58%

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Asia Pacific Equity Research
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