

## Telecom Services

Event Update

Rating: **BUY**

Current Price (Rs): 399

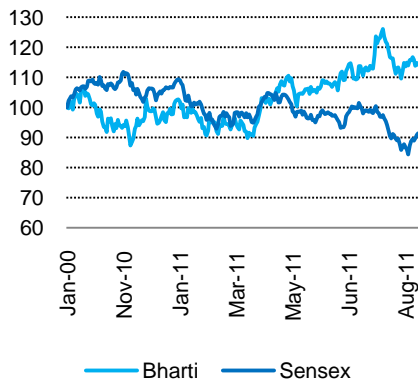
Target Price (Rs): 495

### Stock Data

52-week high/low	447/303
O/S shares (m)	3,798
Mkt Cap Rs (bn)	1,541
Avg Daily Vol	5,849,652
Bloomberg Code	<b>BHARTI IN</b>
Reuters Code	BRTI.BO

### Shareholding (%) Mar-11

Promoters	68.3
FIs	17.6
DIs	8.5
Public	5.6



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## Bharti's foray into Rwanda

Media reports suggest Bharti Airtel (Bharti) has received 2G and 3G licenses in Rwanda, one of the countries in Eastern Africa. The company is estimated to invest US\$100 mn over the next three years.

Our preliminary analysis based on current status of Rwanda economy and the telecommunication market suggests a relatively low potential. While Rwanda has a population of 11.37 mn, the mobile penetration is estimated (BuddeComm) to be 52% by the end of CY2011. Bharti will compete with MTN Rwanda, Rwandatel and Millicom-Tigo for its mobile services in the country. Moreover key economic parameters for Rwanda are not very encouraging. Considering these factors the untapped mobile subscriber base would stand at 3.0 mn post CY2011.

### Economy

Population (mn)	11.3
GDP (US\$ bn) - 2010 est.	12.2
Agriculture/ Industry distribution	90:10
Poverty levels - 2001 est.	60%

Source: CIA

### Country GDP - per capita (PPP)

Rwanda	\$1,000
Burkina Faso	\$1,200
Congo B.	\$4,100
Gabon	\$14,500
Malawi	\$800
Niger	\$700
Tanzania	\$1,400
Nigeria	\$2,500
Ghana	\$2,500
Chad	\$1,600
D.R.C	\$300
Kenya	\$1,600
Zambia	\$1,500
Sierra Leone	\$900
Uganda	\$1,300
Madagascar	\$900

Source: CIA (2010 est.)

### Cellular market

No. of operators	3
Penetration (CY2011 est.)	52%
ARPU	10%

Source: BuddeComm

We do not see Rwanda proposition as a significant opportunity for Bharti and the expansion decision is believed to be largely strategic. While it would have insignificant financial implication for Bharti in the near-term we maintain our estimates and the BUY rating with a target price of Rs 495.

## Financials

### Income Statement

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	418,472	594,672	719,597	839,575
Sales Growth (%)	13.2	42.1	21.0	16.7
Direct Expenses	175,712	254,481	307,866	342,547
SG&A	19,028	32,784	37,816	45,337
Total Expenses	56,099	107,053	118,721	134,744
<b>EBITDA</b>	167,633	200,354	255,194	316,947
EBITDA (%)	40.1	33.7	35.5	37.8
Depreciation	62,832	102,066	130,333	142,136
Interest (net)	290	(21,506)	(34,285)	(26,876)
Tax	13,453	17,790	22,614	35,504
Tax Rate (%)	12.8	23.2	22.0	24.0
<b>Adjusted PAT</b>	86,941	61,449	70,164	114,632
Extraordinary Items	4,697	(982)	0	0
<b>Reported PAT</b>	91,638	60,467	70,164	114,632
PAT Growth (%)	3.9	(29.3)	14.2	63.4

Source: Company IFIN Research

### Ratios

Y/E March	FY10	FY11	FY12E	FY13E
EPS (Rs)	24.0	15.9	18.5	30.2
CEPS (Rs)	39.9	42.8	52.8	67.6
BV (Rs.)	108.9	128.4	146.9	177.1
DPS	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>				
P/E	16.5	25.8	23.2	13.8
EV/EBITDA	9.7	10.2	7.8	5.9
EV/Sales	3.9	3.4	2.8	2.2
Price/Book Value	3.7	3.1	2.7	2.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Profitability Ratio (%)</b>				
RoE	25.5	13.0	12.5	17.8
RoCE	22.6	12.3	11.2	15.0
<b>Turnover Ratios</b>				
Debtors (Days)	12.7	33.7	31.0	31.0
Fixed Asset Turnover (x)	0.9	1.1	1.1	1.4

Source: Company IFIN Research

### Balance Sheet

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
Share Capital	18,988	18,988	18,988	18,988
Reserves	394,711	468,680	538,844	653,476
Net Worth	413,699	487,668	557,832	672,464
Debt	56,110	578,988	543,603	493,603
Total Current Liabilities	148,111	369,845	333,947	324,852
<b>Total Equity &amp; Liabilities</b>	646,409	1,465,064	1,463,945	1,519,481
Net Block	443,808	651,426	631,093	597,958
CWP	52,675	637,317	637,317	637,317
Investments	10,579	64,244	64,244	64,244
<b>Curr. Assets</b>				
Debtors	13,757	54,929	61,116	71,306
Cash & Bank Balance	13,903	9,575	20,959	92,721
Loans & Advance	21,329	30,504	35,487	41,404
Other Current Assets	90,358	17,069	13,728	14,532
<b>Total Assets</b>	646,409	1,465,064	1,463,945	1,519,481

Source: Company IFIN Research

### Cash Flow Statement

(Rs million)

Y/E March	FY10	FY11	FY12E	FY13E
Consolidated PAT	91,026	60,467	70,164	114,632
Depreciation	59,066	102,066	130,333	142,136
Deferred Tax	3,847	(138,127)	0	0
<b>Cash Flow from Operation</b>	153,939	24,406	200,496	256,767
Inc/(Dec) in WC	(21,790)	8,203	14,104	(26,006)
<b>Operating Cash Flow</b>	132,149	187,139	214,601	230,762
Capex	(102,047)	(602,951)	(110,000)	(109,000)
<b>Free Cash Flow</b>	30,102	(415,812)	104,601	121,762
Equity Raised	191	0	0	0
Debt Raised	16,654	429,586	(93,217)	(50,000)
Investment	0.00	0	0.00	0.00
Dividend Paid	(4,442)	14,501	0	0
Misc Expense	(39,747)	(32,603)	0	0
<b>Net Cash Flow</b>	2,758	(4,328)	11,384	71,762
<b>Opening Cash Bal.</b>	11,145	13,903	9,575	20,959
Add: Net Cash	2,758	(4,328)	11,384	71,762
<b>Closing Cash Bal.</b>	13,903	9,575	20,959	92,721

Source: Company IFIN Research

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### Key ratings:

Rating	LARGE CAP	MID CAP
	Market Cap >= Rs 100 bn	Market Cap < Rs 100 bn
BUY (B)	> 15%	> 25%
Hold (H)	5-15%	10-25%
SELL (S)	< 5%	< 8%
Not Rated (NR)	Not initiated coverage on the stock	

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