

Not much upside

Fair valuations, growth surprise unlikely; Underperform

Bharti is trading close to our PO of Rs310/sh. We think positive growth surprise or valuation expansion is unlikely; maintain underperform. Stock valuations at ~7x FY12E-EV/EBITDA & 14x FY12-PE place the Co on par with the local mkt. & 20-25% growth premium relative to GEM wireless majors. Upside seems difficult.

More downside than upside to revenue outlook

We forecast consolidated FY12 revenues to grow ~21% YoY led by ~14% YoY revenue growth in the India wireless operations and 46% YoY growth (normalized growth of 22%) from Africa. Our assumption that India traffic will grow in line with subscriber growth carries downside if multiple-SIM penetration rises. For the Africa operations, we have built-in steadily improving customer market share but note that recent net add performance has been sharply volatile.

Tight-rope walk on India margins; Africa should improve

On a recurring basis (excluding re-branding etc), we expect India & SE-Asia margins for FY12E to stabilize at current levels of ~35% but note that this requires continued tight cost control in India and revenue ramp-up in SE-Asia. We are relatively bullish on margin improvement in Africa as outsourcing and integration benefits should accelerate.

3Q FY11 results tad disappointing; estimates trimmed

3Q FY11 EBITDA grew ~4% QoQ excluding one-time re-branding costs; core performance was a tad disappointing due to lower than expected Africa margins, weak India traffic growth & margin weakness in the India enterprise business. Stable QoQ revenue per minute & stable wireless margins in India were the silver lining. Factoring 3Q, we have trimmed EBITDA by 5% for FY11E & 1% for FY12E.

Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	84,686	90,744	66,299	88,086	104,032
EPS	22.31	23.65	17.46	23.20	27.40
EPS Change (YoY)	26.3%	6.0%	-26.1%	32.9%	18.1%
Dividend / Share	1.00	1.00	0	5.80	6.85
Free Cash Flow / Share	(5.41)	16.48	24.54	19.85	14.00

Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	14.47x	13.65x	18.48x	13.91x	11.78x
Dividend Yield	0.310%	0.310%	0%	1.80%	2.12%
EV / EBITDA*	12.55x	11.28x	9.41x	7.51x	6.32x
Free Cash Flow Yield*	-1.68%	5.11%	7.60%	6.15%	4.34%

* For full definitions of *iQmethod*SM measures, see page 9.

Bank of America Merrill Lynch



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Stock Data

Price	Rs322.80
Price Objective	Rs310.00
Date Established	10-Nov-2010
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	Rs252.00-Rs376.95
Mrkt Val / Shares Out (mn)	US\$26,860 / 3,796.5
Average Daily Volume	3,576,213
BofAML Ticker / Exchange	BHTIF / BSE
Bloomberg / Reuters	BHARTI IN / BRTI.BO
ROE (2011E)	15.4%
Net Dbt to Eqty (Mar-2010A)	5.4%
Est. 5-Yr EPS / DPS Growth	0% / 0%
Free Float	32.2%

Key Changes

(Rs)	Previous	Current
2011E Rev (m)	604,015.7	591,541.4
2012E Rev (m)	701,208.8	712,822.6
2013E Rev (m)	804,906.1	813,857.1
2011E EPS	20.37	17.46
2012E EPS	25.09	23.20
2013E EPS	29.33	27.40

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11016196

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iQprofileSM Bharti Airtel

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
(Rs Millions)					
Sales	369,615	418,472	591,541	712,823	813,857
Gross Profit	151,666	168,609	202,123	253,490	301,031
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	104,084	105,777	101,569	135,918	166,371
Net Interest & Other Income	(10,311)	338	(19,854)	(23,134)	(27,143)
Associates	0	0	0	0	0
Pretax Income	93,773	106,115	81,715	112,784	139,228
Tax (expense) / Benefit	(6,615)	(13,453)	(16,897)	(24,449)	(31,574)
Net Income (Adjusted)	84,686	90,744	66,299	88,086	104,032
Average Fully Diluted Shares Outstanding	3,796	3,796	3,796	3,796	3,796

Key Cash Flow Statement Data

Net Income	84,686	90,744	66,299	88,086	104,032
Depreciation & Amortization	47,582	62,832	100,554	117,572	134,660
Change in Working Capital	(18,500)	(8,549)	50,985	45,229	9,920
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	8,361	52,302	12,719	8,598	6,769
Cash Flow from Operations	122,129	197,329	230,557	259,485	255,380
Capital Expenditure	(142,677)	(134,765)	(137,374)	(184,128)	(202,243)
(Acquisition) / Disposal of Investments	(20)	71	(492,200)	0	0
Other Cash Inflow / (Outflow)	0	0	(162,945)	(8,229)	0
Cash Flow from Investing	(142,697)	(134,694)	(792,520)	(192,356)	(202,243)
Shares Issue / (Repurchase)	(3,636)	(17,575)	0	0	0
Cost of Dividends Paid	(3,796)	(3,796)	0	(22,022)	(26,008)
Cash Flow from Financing	14,763	(35,501)	561,963	(67,129)	(53,138)
Free Cash Flow	(20,548)	62,564	93,183	75,358	53,138
Net Debt	69,731	24,213	586,176	541,069	513,939
Change in Net Debt	27,544	(44,036)	561,963	(45,107)	(27,130)

Key Balance Sheet Data

Property, Plant & Equipment	409,136	482,629	520,070	587,246	664,458
Other Non-Current Assets	50,732	90,626	697,517	705,126	695,497
Trade Receivables	18,262	35,711	50,480	60,830	69,452
Cash & Equivalents	49,070	77,685	77,685	77,685	77,685
Other Current Assets	76,747	24,289	34,334	41,374	47,238
Total Assets	603,947	710,940	1,380,087	1,472,260	1,554,329
Long-Term Debt	53,993	81,474	643,437	598,330	571,200
Other Non-Current Liabilities	18,120	52,998	65,387	74,070	81,302
Short-Term Debt	64,808	20,424	20,424	20,424	20,424
Other Current Liabilities	152,377	108,819	184,618	247,236	271,642
Total Liabilities	289,298	263,715	913,866	940,059	944,569
Total Equity	314,649	447,225	466,220	532,201	609,761
Total Equity & Liabilities	603,947	710,940	1,380,087	1,472,260	1,554,329

iQmethodSM - Bus Performance*

Return On Capital Employed	24.8%	20.2%	9.4%	9.1%	10.6%
Return On Equity	32.2%	25.0%	15.4%	18.6%	19.1%
Operating Margin	28.2%	25.3%	17.2%	19.1%	20.4%
EBITDA Margin	41.0%	40.3%	34.2%	35.6%	37.0%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.4x	2.2x	3.5x	2.9x	2.5x
Asset Replacement Ratio	3.0x	2.1x	1.4x	1.6x	1.5x
Tax Rate (Reported)	7.1%	12.7%	20.7%	21.7%	22.7%
Net Debt-to-Equity Ratio	22.2%	5.4%	125.7%	101.7%	84.3%
Interest Cover	6.4x	6.4x	3.9x	4.6x	5.0x

Key Metrics

 * For full definitions of iQmethodSM measures, see page 9.

Company Description

Bharti Airtel (Formerly Bharti Televentures) is India's largest private sector provider of integrated telecom services, especially wireless. The wireless business accounts for nearly three-fourths of the company's revenues. The company is a market leader with pan-India presence.

Investment Thesis

Our Underperform rating on Bharti is mainly due to three reasons: 1) growth of the India operations is slowing 2) execution on revenue mkt share in African operations seems challenging, 3) valuations are already at 20-25% premium vs GEM wireless but risks to growth forecasts are likely on the downside.

Stock Data

Price to Book Value 2.8x

3Q FY11 highlights

Headline profit hit by re-branding, but helped by minority interests:

Bharti reported 3Q FY11 net profit at Rs13bn, down 41% YoY and down 22% QoQ. On a QoQ basis, headline profits were hurt by re-branding expenses of ~Rs3.4bn but helped somewhat by higher share of losses attributed to minorities (up from Rs23mn in 2Q to Rs904mn in 3Q FY11).

Core EBITDA performance tad disappointing owing to Africa: Excluding rebranding charges, overall EBITDA grew 4% QoQ in line with overall revenue growth; overall EBITDA margin stayed flat at 33.8%. EBITDA from the India operations grew 4% QoQ largely as expected. EBITDA from Africa grew 5% QoQ, below expectations due to weaker than expected margins.

Africa net adds slow sharply, margins disappoint: In 3Q FY11, Bharti's net adds in Africa fell 45% QoQ to 2mn vs 3.7mn in 2Q. Revenue grew 4% QoQ on the back of 5% growth in sub base and 1% decline in ARPU. Overall Africa margin (excluding re-branding) stayed flat QoQ at 23.3% (vs 23.1% in 2Q). Operating-Africa margins improved ~120bps QoQ but Others-Africa losses expanded. On its earnings call post results, Bharti said the expansion in Other-Africa losses reflects one-time legal charges and costs related to the Zambia open offer.

India wireless margins flattish on stable rpm, traffic growth disappoints, churn up: Wireless operations in India posted flat (-1%) revenue per minute (rpm) at 44paise, and margins for India and Southeast Asia were down 30bps QoQ to 34.9%. India-traffic grew 5% QoQ marginally lagging subscriber growth of 6% QoQ; MoU/sub fell 1% QoQ. The weakness in Bharti's usage trend contrasts with the seasonal improvement highlighted by Idea Cellular that posted 2% QoQ growth in MoU/sub. In line with a sharp rise in subscriber churn witnessed in Idea's results, Bharti also posted a sharp rise in churn from ~6% in 2Q to ~8% in 3Q FY11.

Table 1: 3Q FY11 results summary

Yr to March (Rs mn)	3Q FY10	2Q FY11			3Q FY11			YoY chg	QoQ chg
		India + SE Asia	Africa	Total	India + SE Asia	Africa	Total		
Gross revenues	103,053	113,312	38,906	152,150	117,213	40,531	157,560	53%	4%
Total Operating expenses	62,230	71,090	29,917	100,942	75,124	32,807	107,747	73%	7%
Reported EBITDA	40,823	42,222	8,989	51,208	42,089	7,724	49,816	22%	-3%
Reported EBITDA margin	39.6%	37.3%	23.1%	33.7%	34.6%	19.1%	31.6%		
<i>EBITDA excluding re-branding cost</i>					43,746	9,462	53,211		
<i>EBITDA margin excluding re-branding cost</i>					37.3%	23.3%	33.8%		
Depreciation	15,881	18,239	7,551	25,790	19,063	8,045	27,107	71%	5%
Other Income	182	169		169	258		258	42%	53%
Other costs	44								
Reported EBIT	25,080	24,152	1,438	25,587	23,284	(321)	22,964	-8%	-10%
Interest expense/(income)	(266)	(255)	1,171	916	1,514	3,556	5,070		453%
Interest expense-Africa funding			2,404	2,404		2,400	2,400		0%
Reported PBT	25,346	24,407	(2,137)	22,267	21,770	(6,278)	15,494	-39%	-30%
Tax expense/(income)	2,980	3,802	1,876	5,678	3,145	221	3,366	13%	-41%
Minority Interest	407			(23)			(904)		
Income from associate	(10)			(2)					
Reported net profit	21,949	20,605	(4,013)	16,610	18,625	(6,499)	13,032	-41%	-22%

Source: Company

Table 2: Bharti (India operations) - key performance indicators

Yr to March	3QFY10	2QFY11	3QFY11	YoY chg	QoQ chg
Wireless Subs (mn)	119	143	152	28%	6%
ARPU (Rs/month)	230	202	198	-14%	-2%
RPM (Rs/min)	0.52	0.44	0.44	-15%	0%
MoU(mins/month)	446	454	449	1%	-1%
Churn	6.3%	5.9%	7.8%		

Source: Company

Table 3: Bharti (Africa) - key performance indicators

Yr to March	1QFY11	2QFY11	3QFY11	QoQ chg
Wireless Subs (mn)	36	40	42	5%
ARPU (\$/month)	7.4	7.4	7.3	-1%
RPM (US¢/min)	7.2	6.6	6.1	-8%
MoU(mins/month)	103	112	120	7%
Churn	5.6%	5.8%	5.9%	

Source: Company

Enterprise business - sharp margin decline despite flat topline: In 3Q FY11, Bharti's enterprise business in India posted ~320bps QoQ decline in EBITDA margin despite flat topline. For 9M FY11, enterprise revenues are down 9% YoY and enterprise-EBITDA is down 22% YoY.

Tower-sharing continues to be a bright spot: Bharti's passive infrastructure business posted 4% QoQ topline growth and 8% QoQ EBITDA growth; EBITDA margin expanded ~150bps QoQ likely led by cost savings. Sharing factor in the business improved from ~1.73x in 2Q to 1.75x in 3Q FY11.

Capex accelerates led by Africa: Bharti's capex in 3Q FY11 jumped 31% QoQ to US\$964mn. India capex was flat at ~US\$653mn but Africa capex jumped from US\$84mn in 2Q FY11 to US\$311mn in 3Q FY11.

Net debt flat at Rs600bn; net debt/recurring-EBITDA at ~2.8x: Bharti's net debt as of 3Q FY11 stood at ~Rs60bn (US\$13.4bn) largely flat QoQ. Net debt/EBITDA was also largely unchanged ~2.8x.

Mgt. call highlights

- Bharti expects to launch 3G across its licensed footprint in India, by Mar '11.
- Mobile number portability (MNP) is seen as a net accretive opportunity for Bharti's operations in India owing to strong brand, network and distribution.
- In India, the multi-SIM phenomenon could drag traffic growth relative to subscriber growth but overall quality of rural subscribers remains strong.
- The Co declined to comment on regulatory expectations especially with regard to payout for spectrum beyond 6.2MHz.
- In Africa, logistics are a key challenge but the Co is investing in automation to deal with the issue. Despite higher cost structures, Bharti believes the market opportunity in Africa will outweigh risks over the long-term.
- For the Africa operations, mgt. aspiration of US\$5bn in revenues and US\$2bn in EBITDA by FY13 stays intact.
- Bharti has initiated the process of forming tower companies for its Africa operations.
- FY11 capex guidance for Africa is maintained ~US\$800mn. In the short-term, capex will be towards capacity augmentation. Over the medium term, capex on coverage will rise to ~70% of total.

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Table 4: 3Q FY11 segment performance summary

Yr to 31 March	3Q FY10	2Q FY11	3Q FY11	YoY chng	QoQ chng
Wireless subs (mn)	119	143	152	28%	6%
Net adds (mn)	8.4	6.7	9.2	10%	38%
Wireless revenues (India + SE Asia)	80,898	88,045	91,458	13%	4%
Wireless EBITDA (India + SE Asia) - recurring	30,400	30,964	31,954	5%	3%
Wireless EBITDA margin - recurring	37.6%	35.2%	34.9%		
Wireless EBITDA (India + SE Asia) - reported post re-branding			31,689		
Wireless EBITDA margin - reported post re-branding			34.6%		
Wireless revenues (Africa) - recurring		38,906	40,531		4%
Wireless EBITDA (Africa) - recurring		8,989	9,462		5%
Wireless EBITDA margin		23.1%	23.3%		
Wireless EBITDA (Africa) - reported post re-branding			7,724		
Wireless EBITDA margin - reported post re-branding			19.1%		
Non-wireless revenue	38,004	40,703	41,541	9%	2%
Non-wireless EBITDA	13,474	14,629	14,791	10%	1%
Non-wireless EBITDA margin	35.5%	35.9%	35.6%		
Passive infrastructure service revenue	18,407	21,161	21,972	19%	4%
Passive infrastructure services EBITDA	6,267	7,858	8,486	35%	8%
Passive infrastructure services EBITDA margin	34.0%	37.1%	38.6%		
Fixed Line revenue	8,549	9,118	9,066	6%	-1%
Fixed Line EBITDA	3,933	4,200	4,045	3%	-4%
Fixed Line EBITDA margin	46.0%	46.1%	44.6%		
Enterprise services revenue	11,048	10,424	10,503	-5%	1%
Enterprise services EBITDA	3,274	2,571	2,260	-31%	-12%
Enterprise services EBITDA margin	29.6%	24.7%	21.5%		
Others revenue	1,414	2,260	2,793	98%	24%
Others EBITDA	(2,574)	(2,714)	(2,341)	-9%	-14%
Others EBITDA post re-branding			(3,733)		

Source: Company

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Table 5: Bharti consolidated – Profit & loss

Yr to March (Rs mn)	FY08	FY09	FY10	FY11E*	FY12E
Revenues:					
Wireless - India+SE Asia	217,861	303,601	331,275	365,107	421,691
% chg y-o-y	54%	39%	9%	10%	15%
Wireless -Africa			-	131,661	192,549
% chg y-o-y					46%
Wireline & Broadband	28,484	33,517	34,154	36,378	38,249
% chg y-o-y	27%	18%	2%	7%	5%
Enterprise services	56,387	84,883	44,798	41,966	46,844
% chg y-o-y	28%	51%	-47%	-6%	12%
Passive Infra Services	6,023	42,489	70,852	86,124	97,642
% chg y-o-y		605%	67%	22%	13%
Inter segment elimination & other items	(38,504)	(94,875)	(62,607)	(69,696)	(84,153)
Consolidated Revenue	270,250	369,615	418,472	591,541	712,823
% chg y-o-y	46%	37%	13%	41%	21%
EBITDA :					
Wireless - India+SE Asia	85,480	94,050	128,053	126,611	146,124
% chg y-o-y	60%	10%	36%	-1%	15%
% margin	39.2%	31.0%	38.7%	34.7%	34.7%
Wireless -Africa			-	30,577	50,701
% chg y-o-y					66%
% margin				23.2%	26.3%
Wireline & Broadband	11,407	14,195	14,729	16,365	17,329
% chg y-o-y	104%	24%	4%	11%	6%
% margin	40%	42%	43%	45%	45%
Enterprise services	20,433	37,743	12,578	9,940	11,324
% chg y-o-y	14%	85%	-67%	-21%	14%
% margin	36%	44%	28%	24%	24%
Passive infra Services	2,236	15,022	24,523	32,409	38,281
% chg y-o-y		572%	63%	32%	18%
% margin	37.1%	35.4%	34.6%	37.6%	39.2%
Rebranding expenses				(1,657)	
Corporate expenses	(3,659)	(6,169)	(8,889)	(9,573)	(7,362)
Inter segment elimination	(2,183)	(3,176)	(2,385)	(2,549)	(2,907)
Consolidated EBITDA	113,715	151,666	168,609	202,123	253,490
% chg y-o-y	53%	33%	11%	20%	25%
Con. EBITDA margin	42.1%	41.0%	40.3%	34.2%	35.6%
Depreciation and Amortization	37,260	47,582	62,832	100,554	117,572
Operating Profit	76,455	104,084	105,777	101,569	135,918
Operating margin	28%	28%	25%	17%	19%
Interest (Expenses)	(2,341)	(11,613)	(178)	(20,871)	(24,151)
Non-operating income/(exp)	2,423	1,302	516	1,017	1,017
Profit before tax	76,537	93,773	106,115	81,715	112,784
Taxes	8,378	6,615	13,453	16,897	24,449
(Profit)/losses to Minorities	(1,151)	(1,759)	(1,870)	1,481	(249)
Extraordinary			(976)	-	-
Net Profit	67,008	84,686	89,768	66,299	88,086
Net margin	25%	23%	21%	11%	12%
% chg y-o-y	57%	26%	6%	-26%	33%

* Africa operations included for -10 months; Source: BoFA Merrill Lynch Global Research, Company

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Table 6: Valuation comparison of GEM wireless majors

Company Name	Market Cap US\$ bn	Sh Price (Local Curr)	BofAML Rating	P/E		EPS CAGR CY10-12E	EBITDA CAGR CY10E-12E	ROE CY11E	EV/EBITDA		Net Debt/ EBITDA CY10E
				CY10E	CY11E				CY10E	CY11E	
Bharti	28.0	323	C-3-7	18.5	13.9	25%	22%	18.6	9.4	7.5	2.9
Idea	5.2	69	C-3-9	25.3	21.7	-10%	20%	8.2	9.4	7.8	3.2
RCom	7.7	117	C-3-7	16.4	20.3	-28%	6%	3.1	7.8	7.4	4.1
Zain	20.4	1	C-3-7	5.6	16.1	16%	10%	15.1	14.0	12.5	-0.8
MTN Group	34.7	129	B-1-7	13.1	10.8	27%	7%	24.5	6.3	5.7	0.0
SingTel	41.5	3	B-1-7	12.6	11.6	9%	4%	16.8	7.9	7.3	1.2
China Mobile*	199.6	79	NA	11.2	10.7	4%	4%	20.3	4.6	4.1	-0.9
Axiata Group	12.4	5	B-1-9	16.5	13.9	10%	10%	13.4	6.7	6.1	0.7
America Movil	115.2	59	B-1-7	17.1	13.5	19%	15%	35.9	8.2	6.4	0.9
ECMS Mobinil	3.2	133	C-2-7	9.1	10.2	2%	7%	30.3	4.1	3.8	1.5
China Unicom*	39.2	10.8	NA	59.9	37.7	57%	12%	3.4	5.5	5.0	1.2
Total Access	3.1	1	C-1-7	9.9	10.0	-4%	1%	13.8	4.0	3.8	0.2
Turkcell	15.3	11	C-2-7	12.2	9.9	10%	11%	20.0	5.8	5.0	-0.8
Advanced Info	9.3	80	C-1-8	11.4	10.7	10%	3%	62.7	4.9	4.8	0.5
MobileOne*	1.7	2	NA	13.2	12.3	6%	3%	52.3	7.5	7.1	0.7
Partner	3.2	70	A-3-8	8.5	9.3	-9%	-7%	190.0	5.3	5.8	1.4
MTS	20.0	19	C-1-8	9.9	8.6	17%	9%	39.8	4.8	4.3	1.0
LG Uplus	3.6	6480	C-2-7	4.5	5.3	-10%	-4%	13.0	2.2	2.4	0.6
SK Telecom	12.2	164000	B-2-7	9.1	8.2	-6%	1%	12.9	3.8	3.5	0.8
India Average (Mcap weighted)				16.4	13.5	11%	19%	14.4	9.1	7.5	3.2
Asia Average (Mcap weighted)				16.5	14.1	11%	7%	19.3	6.0	5.4	0.2
GEM Average (Mcap weighted)				13.8	11.7	14%	8%	23.7	6.4	5.6	0.3

*Bloomberg consensus; Source: BofA Merrill Lynch Global Research

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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03 February 2011

APR - Telecommunications Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Info	XVDIF	ADVANC TB	Thititthep Nophaket
	Axiata Group	XLMTF	AXIATA MK	Reena Verma Bhasin, CFA
	Funtalk China Holdings Ltd	FTLK	FTLK US	Chen Luo, CFA
	KT	KT	KT US	Sean Oh
	KT	KTCNF	030200 KS	Sean Oh
	Philippine Long Distance Telephone	ZHPLF	TEL PM	Edser Trinidad
	PLDT -A	PHI	PHI US	Edser Trinidad
	SingTel	SNGNF	ST SP	Reena Verma Bhasin, CFA
	Total Access	TACJF	DTAC SP	Thititthep Nophaket
	Total Access Communication	TACPF	DTAC TB	Thititthep Nophaket
NEUTRAL				
	LG Uplus	LTCLF	032640 KS	Sean Oh
	SK Telecom	SKM	SKM US	Sean Oh
	SK Telecom	SKMTF	017670 KS	Sean Oh
UNDERPERFORM				
	Bharti	BHTIF	BHARTI IN	Reena Verma Bhasin, CFA
	Globe Telecom	GTMEF	GLO PM	Jidgette Velasco
	Idea Cellular	IDEAF	IDEA IN	Reena Verma Bhasin, CFA
	MTNL	XMTNF	MTNL IN	Reena Verma Bhasin, CFA
	MTNL	MTE	MTE US	Reena Verma Bhasin, CFA
	RCVL	RLCMF	RCOM IN	Reena Verma Bhasin, CFA
	SK Broadband	HANTF	033630 KS	Sean Oh
	Tata Communications Limited	VSLSF	TCOM IN	Reena Verma Bhasin, CFA
	Tata Communications Limited	TCL	TCL US	Reena Verma Bhasin, CFA
	TRUE Corp	TCPJF	TRUE TB	Thititthep Nophaket

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

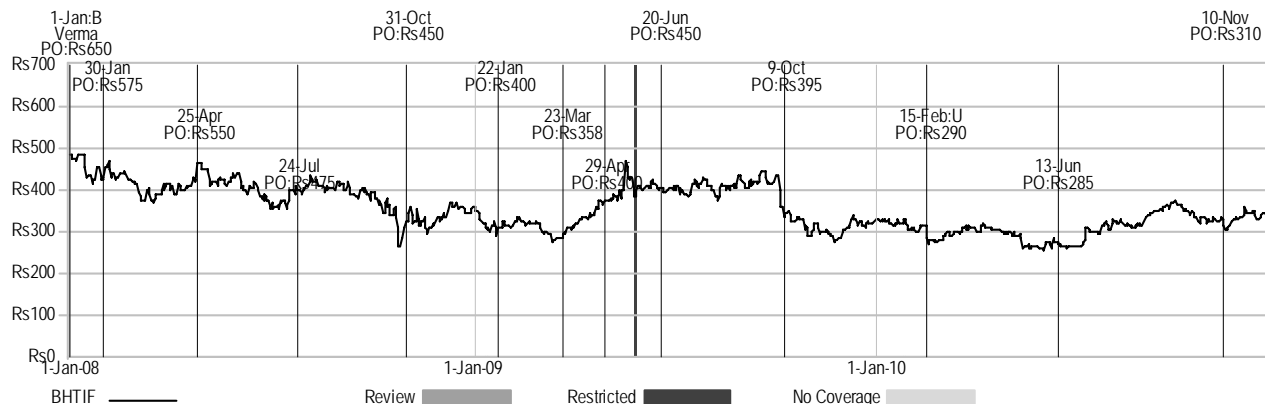
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BHTIF Price Chart



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 December 31, 2010 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%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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