

Forex marred bottom-line, Retain ACCUMULATE

November 4, 2011

| Reco | Previous Reco |
|--------------------------|---------------|
| Accumulate | Accumulate |
| CMP | Target Price |
| Rs398 | Rs464 |
| EPS change FY12E/13E (%) | -13.4 / -6.1 |
| Target Price change (%) | NA |
| Nifty | 5,284 |
| Sensex | 17,563 |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|---------------|-----|-----|----|-----|
| Absolute | 8 | (6) | 13 | 22 |
| Rel. to Nifty | (3) | (5) | 19 | 45 |

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

| | |
|-----------------------------|--------------|
| Sector | Telecom |
| Bloomberg | BHARTI@IN |
| Equity Capital (Rs mn) | 18988 |
| Face Value(Rs) | 5 |
| No of shares o/s (mn) | 3798 |
| 52 Week H/L | 445/304 |
| Market Cap (Rs bn/USD mn) | 1,511/30,686 |
| Daily Avg Volume (No of sh) | 5176007 |
| Daily Avg Turnover (US\$m) | 41.0 |

Shareholding Pattern (%)

| | Sep-11 | Jun-11 | Mar-11 |
|--------------|--------|--------|--------|
| Promoters | 68.3 | 68.3 | 68.3 |
| FII/NRI | 17.4 | 17.8 | 17.5 |
| Institutions | 8.7 | 8.5 | 8.7 |
| Private Corp | 4.1 | 3.7 | 3.7 |
| Public | 1.5 | 1.7 | 1.8 |

Source: Capitaline

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- **Q2FY12 revenue at Rs172.8bn up 1.7% qoq. EBITDA at Rs58.1bn, up 1.9% qoq. PAT at Rs10.3bn below est. of Rs12.9bn on account of forex loss (Rs2.4bn) & higher tax rate**
- **KPI's remained weak qoq due to pronounced seasonally weak quarter. APRU at Rs183 down 3.8% qoq, MoU was down 4.9% qoq to 423, subsequently ARPM was up 0.9% qoq to Rs0.43**
- **Cons. EBITDA margin was flat qoq to 33.7% (our est. of 33.4%). EBITDA margin from African operation stood at 26.4% v/s 26.7% in Q1FY12**
- **Cut EPS by 13.4% & 6.1% for FY12E/13E on account of higher interest & tax rate going forward. Valuations at 8.0/6.6 EV/EBITDA for FY12E/13E. ACCUMULATE with TP of Rs464**

Revenues & EBITDA inline but forex loss marred bottom-line

Bharti reported con. revenues of Rs172.8bn was up 1.7% v/s our estimates of Rs 173.7bn, driven by strong revenue growth from the other business segments. India & SA mobile revenue for the quarter declined 0.6% sequentially, led by pronounced seasonally weak quarter. EBITDA stood at Rs58.1bn in line with our est., EBITDA margin was at 33.7% flat sequentially. PAT of Rs10.3bn was below our estimate of Rs12.9bn, on account of 1) Rs2.4bn of forex loss and 2) higher tax charge (effective tax rate increased to 32.4% v/s 29.9% in last quarter).

KPI's – Weak traffic due to seasonality

Due to the seasonality impact KPI's shown weakness on anticipated lines. ARPU during the quarter stood at Rs183 down 3.8% qoq. MoU declined 4.9% qoq to 423, sequentially leading 0.9% to improvement in ARPM to Rs0.43. Q2FY12 registered net adds of 4.3mn v/s 6.3mn in last quarter. Traffic on network declined 1.9% (first time in recent years) to 217bn minutes, primarily due to seasonally weak quarter. Despite of 3G expansion with handsome 3G subscriber base of 7mn, the share of VAS continued to decline. VAS revenue stood at 14.5% v/s 14.6% in Q1FY11.

African safari – Revenue growth on track

Drive by strong volume growth of 9.9% qoq coupled with stable ARPU and 4.6% sequential growth in subscribers led to 5.3% qoq revenue growth. The constant currency revenue growth was at 7.0%. MoU was up 5.2% qoq to 128 minutes which led to robust traffic growth 9.9% qoq to 17.9bn minutes. Subsequently, ARPM declined 4.2% qoq, while ARPU was flat at \$7.3. EBITDA at Rs12.4bn improved 6.0% qoq while EBITDA margin remained flat at 26.4%.

Valuation at 8.0x/ 6.6x EV/EBITDA on FY12E/13E– Maintain ACCUMULATE

Post the results our revenue and EBITDA estimate largely remain unchanged however, adjusting for non-operating item (forex loss) and higher tax rate going forward our profitability numbers go down. After incorporating above mentioned adjustments our EPS cuts by 13.4% for FY12E and 6.1% for FY13E (purely on account of higher tax rate). We maintain our positive view on the stock, however the key risks that prevail are: 1) lower than expected off-take of 3G services and 2) slower than anticipated growth from African operations. We retain ACCUMULATE rating on the stock with target price Rs464. At CMP of Rs398, stock trades at 8.0x /6.6x EV/EBITDA for FY12E/13E.

Financial Snapshot

| Y/E | Net | EBITDA | PAT | EPS | EPS | ROE | P/E | EV/ | P/BV |
|-------|--------|--------|-------|------|-------|------|------|--------|------|
| Mar | Sales | (Core) | (Rs) | (Rs) | %chg | (x) | | EBITDA | |
| FY10 | 396150 | 160266 | 91025 | 13.9 | -39.6 | 22.0 | 28.6 | 13.6 | 3.4 |
| FY11 | 594672 | 199610 | 60468 | 15.6 | 12.3 | 12.4 | 25.5 | 10.4 | 2.9 |
| FY12E | 721383 | 249745 | 58146 | 15.2 | -2.8 | 10.7 | 26.2 | 8.0 | 2.7 |
| FY13E | 839383 | 303010 | 95320 | 24.9 | 63.7 | 15.0 | 16.0 | 6.6 | 2.3 |

Pricing remains stable but traffic growth a drag for Q2FY12

Traffic growth for Bharti declined 1.9% qoq (first time in the recent years), the management indicates it as the deeper seasonality impact. The similar kind of trend was seen in the case of Idea as well.

Comparable financial performance (excl Africa & related costs)

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | QoQ |
|--------------|---------|---------|---------|---------|---------|---------|--------|
| Revenues | 112,725 | 113,312 | 117,213 | 121,195 | 126,306 | 126,790 | 0.4% |
| opex | 70,301 | 71,090 | 75,124 | 76,852 | 80,300 | 81,062 | 0.9% |
| EBIDTA | 42,424 | 42,222 | 42,089 | 44,343 | 46,006 | 45,728 | -0.6% |
| Depreciation | 17,483 | 18,239 | 19,063 | 21,153 | 22,532 | 23,205 | 3.0% |
| EBIT | 24,941 | 23,983 | 23,026 | 23,190 | 23,474 | 22,523 | -4.1% |
| Interest | 2,191 | (257) | 1,514 | 1,685 | 2,569 | 3,523 | 37.1% |
| PBT | 22,750 | 24,240 | 21,512 | 21,505 | 21,505 | 19,000 | -11.6% |
| Tax | 3,687 | 3,802 | 3,145 | 3,363 | 5,246 | 4,079 | -22.2% |
| PAT | 19,063 | 20,438 | 18,367 | 18,142 | 16,259 | 14,921 | -8.2% |

Domestic v/s African revenue and EBIDTA break-up

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | QoQ |
|-----------------|---------|---------|---------|---------|---------|---------|-------|
| Revenues | | | | | | | |
| India & Asia | 112,725 | 113,312 | 117,213 | 121,195 | 126,306 | 126,790 | 0.4% |
| Africa | 9,583 | 38,906 | 40,530 | 41,815 | 43,784 | 47,032 | 7.4% |
| Cons. Rev | 122,308 | 152,150 | 157,560 | 162,654 | 169,822 | 172,766 | 1.7% |
| EBIDTA | | | | | | | |
| India | 42,424 | 42,222 | 42,089 | 44,343 | 46,006 | 45,728 | -0.6% |
| Africa | 2,635 | 9,311 | 8,435 | 10,995 | 11,702 | 12,403 | 6.0% |
| Cons. EBIDTA | 45,059 | 51,533 | 49,816 | 54,500 | 57,058 | 58,151 | 1.9% |
| EBIDTA % | | | | | | | |
| India | 37.6% | 37.3% | 35.9% | 36.6% | 36.4% | 36.1% | |
| Africa | 27.5% | 23.9% | 20.8% | 26.3% | 26.7% | 26.4% | |
| Cons. EBIDTA % | 36.8% | 33.9% | 31.6% | 33.5% | 33.6% | 33.7% | |

Domestic mobile business performance

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | QoQ |
|--------------------|---------|---------|---------|---------|---------|---------|-------|
| ARPU (Rs) | 215 | 202 | 198 | 194 | 190 | 183 | -3.7% |
| MOU (mins) | 480 | 454 | 449 | 449 | 445 | 423 | -4.9% |
| RPM (Rs) | 0.45 | 0.44 | 0.44 | 0.43 | 0.43 | 0.43 | 0.9% |
| Traffic (mn mins) | 190,396 | 190,767 | 199,146 | 211,822 | 221,560 | 217,408 | -1.9% |
| Subscribers ('000) | 136,620 | 143,292 | 152,495 | 162,203 | 168,542 | 172,782 | 2.5% |
| VAS revenue share | 11.6% | 12.7% | 13.8% | 15.0% | 14.6% | 14.5% | |

Key metrics – African operations

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | QoQ |
|--------------------|--------|--------|--------|--------|--------|--------|-------|
| ARPU (\$) | 7.40 | 7.40 | 7.30 | 7.20 | 7.27 | 7.29 | 0.3% |
| MOU (mins) | 103 | 112 | 120 | 115 | 121 | 128 | 5.5% |
| RPM (\$/c) | 7.2 | 6.6 | 6.1 | 6.2 | 6.0 | 5.7 | -4.3% |
| Traffic (mn mins) | 3,695 | 12,782 | 14,904 | 14,915 | 16,337 | 17,950 | 9.9% |
| Subscribers ('000) | 36,362 | 40,082 | 42,124 | 44,206 | 46,306 | 48,437 | 4.6% |

Passive infrastructure – Improving tenancy

Passive infrastructure reported revenue growth of 4.4% qoq to Rs23.7bn. EBITDA margin from this segment further improved to 39.5% v/s 37.7% in Q1FY11 and 37.1% in Q2FY11. Total towers for Bharti Infratel and Indus stood at 78835 and 108998. Nevertheless, tenancy improved to 1.85x (1.83x in Q1FY12) and 1.89x (1.87x for Q1FY12) for Bharti infratel and Indus towers, respectively.

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 |
|--|---------|---------|---------|---------|---------|---------|
| Bharti Infratel (cons.) | | | | | | |
| Total Towers | 75,254 | 76,535 | 77,695 | 78,398 | 78,689 | 78,835 |
| Tenancy | 1.70 | 1.73 | 1.75 | 1.79 | 1.83 | 1.85 |
| Sharing Revenue / sharing operator / month | 33,064 | 33,898 | 33,524 | 32,828 | 33,533 | 33,098 |
| Indus Towers | | | | | | |
| Total Towers | 104,901 | 106,438 | 107,789 | 108,586 | 108,922 | 108,998 |
| Tenancy | 1.75 | 1.78 | 1.80 | 1.83 | 1.87 | 1.89 |
| Sharing Revenue / sharing operator / month | 30,379 | 31,389 | 30,847 | 30,501 | 31,963 | 31,112 |

Other business segment performance

Other segments (Telemedia and Enterprise) reported stable revenues qoq. Revenue for Telemedia and Enterprise was up 1.0% and 6.1% qoq, respectively. EBITDA Margin in enterprise segment declined to 21.5% v/s 22.1% in Q1FY12, while for Telemedia it declined 129bps qoq.

DTH business

The company has started reporting DTH as the separate business segment. DTH revenue grew 6.9% qoq to Rs3.1bn with EBITDA of Rs116mn. Total subscriber base at the end of Q2FY12 stood at 6.6mn with net adds during the quarter at 0.35mn.

| | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | QoQ |
|-------------------------|-------|-------|-------|-------|-------|--------|
| Digital TV subs (000's) | 3,899 | 4,932 | 5,663 | 6,262 | 6,614 | 5.6% |
| Net additions (000's) | 655 | 1,033 | 730 | 600 | 352 | -41.4% |
| ARPU (Rs) | 158 | 160 | 161 | 163 | 161 | -1.1% |
| Monthly Churn | 0.4% | 0.4% | 0.7% | 0.7% | 1.2% | |

Trai's recent recommendations

The recent recommendations released by Trai were in contrast with its recommendations in May,2010. The regulator has recommended liberalized M&A guidelines by increasing the cap on the market share of combined entity to 60% from 40% earlier and secondly, limit of spectrum held by the resultant combined entity be revised to 25% of spectrum assigned in the particular service area as against earlier recommended cap of 14.4MHz /10MHz for GSM/CDMA, respectively. The recommendation gives clear direction for the consolidation in the 14 player highly competitive Indian telecom market.

The regulator has maintained its stance on gradual reduction of license fees to 6% as against DoT's recommendation of floor of 8.5%. Trai has also sought further consultation on spectrum re-farming, which seems a breather for incumbents. However, spectrum charges for beyond the contractual limit of 6.2 MHz and bringing passive infrastructure under licence fee regime remains negative for the sector.

EPS cut by 13.4% /6.1% for FY12E /13E

Post the results our revenue and EBITDA estimate largely remain unchanged however, adjusting for non-operating item (forex loss) and higher tax rate going forward our profitability numbers go down. Post incorporating above mentioned items leads to EPS cuts of 13.4% for FY12E and 6.1% for FY13E.

| | FY12E | | | FY13E | | |
|----------|--------|--------|---------|--------|--------|---------|
| | Old | New | Chg % | Old | New | Chg % |
| Revenue | 721869 | 721383 | -0.1 | 839373 | 839383 | 0.0 |
| EBIDTA | 252170 | 249745 | -1.0 | 303857 | 303010 | -0.3 |
| EBIDTA % | 34.9 | 34.6 | -31 bps | 36.2 | 36.1 | -10 bps |
| PAT | 67123 | 58146 | -13.4 | 101468 | 95320 | -6.1 |
| EPS | 17.7 | 15.3 | -13.4 | 26.7 | 25.1 | -6.1 |

Quarterly financials

| | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 | Q2FY12 | YoY (%) | QoQ (%) | YTD'12 | YTD'11 | YoY (%) |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|---------------|
| Mobile | 126,951 | 132,281 | 136,763 | 142,188 | 144,859 | 14.1 | 1.9 | 287,047 | 224,771 | 27.7 |
| Tele-media | 9,118 | 9,068 | 9,178 | 9,457 | 9,528 | 4.5 | 0.8 | 18,985 | 18,078 | 5.0 |
| Enterprise Total | 10,424 | 10,503 | 10,179 | 10,410 | 11,042 | 5.9 | 6.1 | 21,452 | 20,610 | 4.1 |
| Others | 2,286 | 2,823 | 3,345 | 3,779 | 4,059 | 77.6 | 7.4 | 7,838 | 4,235 | 85.1 |
| Passive Infrastructure | 21,161 | 21,972 | 22,010 | 22,767 | 23,766 | 12.3 | 4.4 | 46533.0 | 41573.0 | 11.9 |
| Total gross Sales | 169,940 | 176,647 | 181,475 | 188,601 | 193,254 | 13.7 | 2.5 | 381,855 | 309,267 | 23.5 |
| Inter-segmental elimination | 17,790 | 19,087 | 18,821 | 18,773 | 20,488 | 15.2 | 9.1 | 39,261 | 34,809 | 12.8 |
| Net Sales | 152,150 | 157,560 | 162,654 | 169,828 | 172,766 | 13.5 | 1.7 | 342,594 | 274,458 | 24.8 |
| Access charge | 18,885 | 20,273 | 21,379 | 22,158 | 23,311 | 23.4 | 5.2 | 45,469 | 33,112 | 37.3 |
| <i>as % of sales</i> | 12 | 13 | 13 | 13 | 13 | | | 13.3 | 12.1 | |
| Network Operating | 33,096 | 32,896 | 34,644 | 37,308 | 38,038 | 14.9 | 2.0 | 75,346 | 60,364 | 24.8 |
| <i>as % of sales</i> | 22 | 21 | 21 | 22 | 22 | | | 22.0 | 22.0 | |
| Employee Expenses | 8,835 | 8,833 | 9,534 | 9,246 | 8,691 | (1.6) | (6.0) | 17,937 | 14,436 | 24.3 |
| <i>as % of sales</i> | 6 | 6 | 6 | 5 | 5 | | | 5.2 | 5.3 | |
| Marketing Expenses | 27,582 | 32,181 | 28,768 | 29,118 | 30,066 | 9.0 | 3.3 | 59,184 | 46,912 | 26.2 |
| <i>as % of sales</i> | 18 | 20 | 18 | 17 | 17 | | | 17.3 | 17.1 | |
| License Fee | 12,540 | 13,561 | 13,887 | 14,939 | 14,507 | 15.7 | (2.9) | 29,446 | 24,282 | 21.3 |
| <i>as % of sales</i> | 8 | 9 | 9 | 9 | 8 | | | 8.6 | 8.8 | |
| Total operating expenditure | 100,938 | 107,744 | 108,212 | 112,769 | 114,613 | 13.5 | 1.6 | 227382 | 179106 | 27.0 |
| EBITDA | 51,212 | 49,816 | 54,442 | 57,059 | 58,153 | 13.6 | 1.9 | 115,212 | 95,352 | 20.8 |
| Depreciation | 25,790 | 27,107 | 29,702 | 31,314 | 31,839 | 23.5 | 1.7 | 63,153 | 45,257 | 39.5 |
| EBIT | 25,422 | 22,709 | 24,740 | 25,745 | 26,314 | 3.5 | 2.2 | 52059 | 50095 | 3.9 |
| Other Income | 169 | 258 | 388 | 0 | 0 | | | 0 | 717 | (100.0) |
| Interest | 3,319 | 7,470 | 6,826 | 8,550 | 11,186 | 237.1 | 30.8 | 19,736 | 7,517 | 162.6 |
| Non operating expenses | 3 | 2 | 0 | 0 | 0 | | | 0 | 236 | (100.0) |
| PBT | 22,269 | 15,495 | 18,302 | 17,195 | 15,128 | (32.1) | (12.0) | 32323 | 43059 | (24.9) |
| Tax | 5,678 | 3,366 | 4,996 | 5,141 | 4,900 | (13.7) | (4.7) | 10,041 | 9,428 | 6.5 |
| PAT before MI | 16,591 | 12,129 | 13,306 | 12,054 | 10,228 | (38.4) | (15.1) | 22282 | 33631 | (33.7) |
| Minority interest | -23 | -904 | -701 | -98 | -44 | 91.3 | (55.1) | -142 | 130 | (209.2) |
| PAT MI | 16,614 | 13,033 | 14,007 | 12,152 | 10,272 | (38.2) | (15.5) | 22424 | 33501 | (33.1) |
| share of associates | -2 | 0 | 0 | 0 | 0 | | | 0 | -74 | (100.0) |
| PAT | 16,612 | 13,033 | 14,007 | 12,152 | 10,272 | (38.2) | (15.5) | 22424 | 33428 | (32.9) |

| Margins (%) | | | | | | (bps) | (bps) | | | (bps) |
|--------------------|------|------|------|------|------|--------------|--------------|------|------|--------------|
| EBIDTA | 33.7 | 31.6 | 33.5 | 33.6 | 33.7 | 0 | 6 | 33.6 | 34.7 | (111) |
| EBIT | 16.7 | 14.4 | 15.2 | 15.2 | 15.2 | (148) | 7 | 15.2 | 18.3 | (306) |
| EBT | 14.6 | 9.8 | 11.3 | 10.1 | 8.8 | (588) | (137) | 9.4 | 15.7 | (625) |
| PAT | 10.9 | 8.3 | 8.6 | 7.2 | 5.9 | (497) | (121) | 6.5 | 12.2 | (563) |
| Effective Tax rate | 25.5 | 21.7 | 27.3 | 29.9 | 32.4 | 689 | 249 | 31.1 | 21.9 | 917 |

Financials

Income Statement

| Y/E, Mar (Rs. mn) | FY10 | FY11 | FY12E | FY13E |
|-------------------------------|----------------|----------------|----------------|----------------|
| Net Sales | 396,150 | 594,672 | 721,383 | 839,383 |
| <i>Growth (%)</i> | 7.2 | 50.1 | 21.3 | 16.4 |
| Employee cost | | 32,803 | 37,416 | 41,457 |
| Marketing expenses | 44,807 | 74,764 | 99,092 | 111,682 |
| Access charge | 76,396 | 127,904 | 153,886 | 171,726 |
| Network operating charge | 40,875 | 51,730 | 61,105 | 71,656 |
| License fee | 56,166 | 107,861 | 120,139 | 139,852 |
| Total operating exp. | 715 | 0 | 0 | 0 |
| EBITDA | | | | |
| <i>Growth (%)</i> | 235,884 | 395,062 | 471,638 | 536,372 |
| Depreciation | 160,266 | 199,610 | 249,745 | 303,010 |
| Other non-operating exp. | 5.7 | 24.5 | 25.1 | 21.3 |
| EBIT | 60,457 | 102,066 | 128,917 | 138,071 |
| EBIT margin (%) | 99,809 | 97,544 | 120,828 | 164,940 |
| Other Income | 25.2 | 16.4 | 16.7 | 19.7 |
| Interest expenses | 19,491 | 1,363 | 800 | 1,680 |
| PBT | 12,434 | 21,813 | 36,347 | 27,832 |
| Tax | 178 | 238 | 0 | 0 |
| <i>Effective tax rate (%)</i> | 106,687 | 76,856 | 85,280 | 138,788 |
| PAT before MI | 13,959 | 17,790 | 27,634 | 44,412 |
| Minority interest | 13.1 | 23.1 | 32.4 | 32.0 |
| Adjusted PAT after MI | 92,728 | 59,066 | 57,647 | 94,376 |
| Profit from associates | 1703.8 | -1401.5 | -499.18 | -943.76 |
| PAT | 91,025 | 60,468 | 58,146 | 95,320 |

Cash Flow Statement

| Y/E, Mar (Rs. mn) | FY10 | FY11 | FY12E | FY13E |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| PBT | 47,277 | 75,731 | 84,480 | 137,108 |
| Depreciation | 60,457 | 102,066 | 128,917 | 138,071 |
| Interest | 12,434 | 21,813 | 36,347 | 27,832 |
| Other Non-Cash items | -2,301 | 18,895 | 4,097 | 3,815 |
| Chg in working cap | 11,922 | 125,004 | 13,195 | 14,056 |
| Tax paid | -13,959 | -17,790 | -27,634 | -44,412 |
| Operating Cashflow | 115,830 | 325,719 | 239,404 | 276,469 |
| Capital expenditure | -97,724 | -931,097 | -140,020 | -136,003 |
| Free Cash Flow | 18,106 | -605,378 | 99,383 | 140,467 |
| Other income | 19,491 | 1,363 | 800 | 1,680 |
| Investments | -34,967 | 82,889 | 0 | 0 |
| Investing Cashflow | -113,200 | -846,845 | -139,220 | -134,323 |
| Equity Capital Raised | 17,790 | 74 | -499 | -944 |
| Loans Taken / (Repaid) | -54,183 | 552,090 | -63,000 | -62,000 |
| Interest Paid | -12,434 | -21,813 | -36,347 | -27,832 |
| Dividend paid (incl tax) | -4,442 | -4,442 | -4,442 | -4,442 |
| Financing Cashflow | 53,690 | -9,502 | 1,145 | 1,589 |
| Net chg in cash | 422 | 516,407 | -103,144 | -93,628 |
| Opening cash position | 3,053 | -4,719 | -2,960 | 48,519 |
| Closing cash position | 11,241 | 14,294 | 9,575 | 6,615 |

Balance Sheet

| Y/E, Mar (Rs. mn) | FY10 | FY11 | FY12E | FY13E |
|--------------------------------|----------------|------------------|------------------|------------------|
| Equity share capital | 18,988 | 18,988 | 18,988 | 18,988 |
| Reserves & surplus | 394,908 | 468,680 | 523,029 | 614,553 |
| Net worth | 413,896 | 487,668 | 542,017 | 633,541 |
| Loan Funds | 64,618 | 616,708 | 553,708 | 491,708 |
| Net deferred tax liability | -9,442 | -37,854 | -37,854 | -37,854 |
| Minorities | 28,489 | 28,563 | 28,064 | 27,120 |
| Other liabilities | 8,448 | 19,227 | 23,324 | 27,139 |
| Total Liabilities | 506,009 | 1,114,312 | 1,109,259 | 1,141,654 |
| Gross Block | 613,409 | 1,481,219 | 1,580,063 | 1,679,539 |
| Less: Depreciation | 204,793 | 265,573 | 348,313 | 439,858 |
| Net block | 408,616 | 1,215,646 | 1,231,750 | 1,239,681 |
| Capital work in progress | 51,097 | 73,097 | 68,097 | 58,097 |
| Investment | 100,074 | 17,185 | 17,185 | 17,185 |
| Current Assets | 66,387 | 106,797 | 118,688 | 180,762 |
| Inventories | 484 | 2,139 | 3,316 | 4,698 |
| Sundry debtors | 13,757 | 54,929 | 63,654 | 74,326 |
| Cash & bank balance | 14,294 | 9,575 | 6,615 | 55,133 |
| Loans & advances | 10,578 | 9,650 | 11,706 | 11,942 |
| Other current assets | 27,275 | 30,504 | 33,397 | 34,663 |
| Net Current liabilities | 130,279 | 300,411 | 328,458 | 356,070 |
| Net current assets | -63,891 | -193,614 | -209,770 | -175,307 |
| Other Non Current | 10,114 | 1,998 | 1,998 | 1,998 |
| Total Assets | 506,009 | 1,114,312 | 1,109,259 | 1,141,654 |

Key Ratios

| Y/E, Mar | FY10 | FY11 | FY12E | FY13E |
|----------------------------|-------|-------|-------|-------|
| Profitability (%) | | | | |
| Core EBITDA Margin | 30.3 | 33.6 | 34.6 | 36.1 |
| Net Margin | 11.9 | 12.6 | 11.3 | 13.4 |
| ROCE | 20.9 | 8.8 | 11.0 | 14.7 |
| ROE | 22.0 | 12.4 | 10.7 | 15.0 |
| RoIC | 19.0 | 15.5 | 13.3 | 18.2 |
| Per Share Data (Rs) | | | | |
| EPS (adjusted) | 13.9 | 15.6 | 15.2 | 24.9 |
| CEPS | 29.8 | 42.5 | 49.1 | 61.2 |
| BVPS | 116.5 | 136.0 | 150.2 | 174.0 |
| DPS | 1.0 | 1.0 | 1.0 | 1.0 |
| Valuations (x) | | | | |
| PER | 28.6 | 25.5 | 26.2 | 16.0 |
| P/CEPS | 13.3 | 9.4 | 8.1 | 6.5 |
| P/BV | 3.4 | 2.9 | 2.7 | 2.3 |
| EV / Sales | 4.1 | 3.5 | 2.8 | 2.4 |
| EV / EBITDA | 13.6 | 10.4 | 8.0 | 6.6 |
| Gearing Ratio (x) | | | | |
| Net Debt/ Equity | 0.3 | 0.3 | 0.3 | 0.3 |
| Net Debt/EBIDTA | 0.1 | 0.2 | 0.1 | -0.1 |

Recommendation History: Bharti Airtel – BHARTI IN

| Date | Reports | Reco | CMP | Target |
|------------|--|------------|-----|--------|
| 03/08/2011 | Bharti Airtel Q1FY12 Result Update | Accumulate | 427 | 464 |
| 25/07/2011 | Bharti Airtel Event Update | Accumulate | 411 | 464 |
| 05/05/2011 | Bharti Airtel Q4FY11 Result Update | Hold | 358 | 406 |
| 02/02/2011 | Bharti Airtel Q3FY11 Result Update | Hold | 323 | 345 |

Recent Research Reports

| Date | Reports | Reco | CMP | Target |
|------------|--|------------|-------|--------|
| 01/11/2011 | Lakshmi Machine Works Q2FY12 Result Update | Accumulate | 1,935 | 2,466 |
| 24/10/2011 | Jagran Prakashan Q2FY12 Result Update | Buy | 107 | 135 |
| 24/10/2011 | HT Media Q2FY12 Result Update | Buy | 140 | 172 |
| 21/10/2011 | Idea Cellular Q2FY12 Result Update | Accumulate | 91 | 105 |

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