

Result Update
Telecommunications
Bharti Airtel Ltd.
BUY

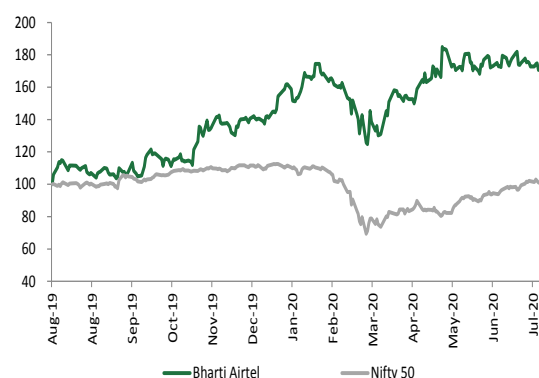
CMP (Rs)	547
Target Price (Rs)	709
Potential Upside	29.6%
Sensex	36,940
Nifty	10,892

Key Stock data

BSE Code	532454
NSE Code	BHARTIARTL
Bloomberg	BHARTI:IN
Shares o/s, Cr (FV 5)	545.6
Market Cap (Rs Cr)	2,98,555
3M Avg Volume	17,584,122
52 week H/L	612/321

Shareholding Pattern

(%)	Dec-19	Mar-20	Jun-20
Promoter	62.7	59.0	56.2
FII	16.4	20.3	20.2
DII	14.1	15.8	18.4
Others	6.7	4.9	5.2

1 Year relative price performance

Research Analyst

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Resilient show; maintain Buy

Bharti Airtel reported healthy set of numbers in Q1FY21 considering the impact of lockdown. Its revenue growth was 0.9% QoQ led by stable performance in the Indian mobile services and Africa business. The digital services business registered a healthy growth of 23.4% QoQ. Its consolidated EBITDA grew by 2.4% QoQ led by improved margins in India mobile services and digital services business. It reported a net loss of Rs. 15,933 cr due to an exceptional item of Rs. 11,746 cr. Going forward, we continue to maintain our positive stance on Bharti Airtel led by improvement in market share, full benefit of ARPU increase and price hikes in the future, healthy addition of 4G customers, and improved traction in other businesses.

Result Update Q1FY21

- Its consolidated revenue was up 0.9% QoQ (15.4% YoY) to Rs. 23,939 cr led by stable performance in India Mobile services business and South Africa business. Despite the lockdown, the Indian mobile services business growth was flat and came in at Rs. 12,877 cr. Its customer base declined 1.3% QoQ which was lower than expected and ARPU was up 1.8% QoQ due to addition of 4G customers, higher data usage and spillover effect of the price hike taken in November. Its Africa business also registered a flat growth with revenue coming in at Rs. 6,451 cr despite a 2.6% QoQ decline in ARPU. This was led by customer additions (8.6 lakhs) and higher data usage (21.5% QoQ) during the quarter. In constant currency terms, the Africa business revenue was down 1.7% QoQ. The Digital Services business registered a healthy growth of 23.4% QoQ and Enterprise business grew by 3.7% QoQ.
- Bharti Airtel's consolidated EBITDA grew by 2.4% QoQ (26.4% YoY) to Rs. 10,408 cr and EBITDA margin expanded 60bps QoQ to 43.5%. This was led by higher margins in its India mobile services, home services, digital services and stable margins in the South Africa business. The company reported a net loss of Rs. 15,933 cr which included an exceptional item of Rs. 11,746 cr. Out of which Rs. 10,744 cr was due to additional provision provided towards AGR liability. Barring the exceptional item, the company reported a net loss of Rs. 4,187 cr.
- Other key highlights:** i) the management maintained its stance that ARPU needs to touch to Rs. 200 near term and Rs. 300 in the long run for the business to remain sustainable, ii) the COVID-19 pandemic has led to some cost-saving in India wireless business, ii) the positive free cash flow during the quarter has helped the company to deleverage its balance sheet and net debt currently stands at Rs. 1,16,541 cr for the company.

Outlook & Valuation

Bharti Airtel is well placed to benefit from increased traction received in digital services during COVID times, which we believe is likely to continue to going forward. After a steady addition of customers, we believe Bharti can continue to gain market share in the mobile services business. In our view, the tariff hike would continue from here on, to reduce the financial stress on telecom companies which would benefit Bharti Airtel due to its strong customer base and healthy addition in 4G customers. Further, strong cash flow generation would also help in deleveraging of balance sheet. Therefore, we maintain a Buy on the stock with a target price of Rs. 709.

Financial Summary - consolidated

Particulars, Rs cr	FY19	FY20	FY21E	FY22E
Net revenue	80,780	87,539	101,108	110,207
EBITDA	25,819	36,610	45,335	50,685
EBITDAM (%)	32.0	41.8	44.8	46.0
APAT	(2,519)	8,051	5,219	4,617
APATM (%)	-3.1	9.2	5.2	4.2
EPS (Rs)	-6.3	14.8	9.6	8.5
EV/EBITDA (x)	13.0	11.8	9.5	8.3
PE (x)	-	37.1	57.2	64.6
RoE (%)	-3.6	10.8	7.1	6.3

Source : RBL Research

P&L Account Quarterly - consolidated

Particulars (cr)	Q1FY21	Q1FY20	Y-o-Y %	Q4FY20	Q-o-Q %
Net sales	23,939	20,738	15.4	23,723	0.9
Network operating expenses	5,104	4,664	9.4	5,202	(1.9)
Access charges	2,801	2,563	9.3	2,827	(0.9)
License fee/Spectrum charges	2,077	1,839	12.9	2,057	1.0
Personnel costs	1,157	864	33.9	1,032	12.1
Sales & Marketing expense	730	839	(12.9)	936	(22.0)
Other overheads	1,663	1,736	(4.2)	1,505	10.5
EBITDA	10,408	8,234	26.4	10,165	2.4
EBITDA Margin (%)	43.5	39.7	377 bps	42.9	63 bps
Depreciation	7,227	6,759	6.9	7,055	2.4
Interest	3,456	3,393	1.9	4,130	(16.3)
Other income	481	295	63.2	922	(47.9)
EO gains / (loss)	(11,746)	(1,469)	-	(7,004)	-
PBT	(11,540)	(3,092)	273.2	(7,102)	62.5
Tax	3,818	(607)	-	(2,034)	(287.7)
Effective tax rate (%)	(33.1)	19.6	-	28.6	-
Minority Interest & Share of profit / (loss) from associates	575.3	380.7	-	168.5	-
Reported PAT	(15,933)	(2,866)	-	(5,237)	204.2
PAT margin (%)	(66.6)	(13.8)	-	(22.1)	-

Source : RBL Research

P&L Account - consolidated

Particulars (cr)	FY19	FY20	FY21E	FY22E
Net sales	80,780	87,539	101,108	110,207
Expenditure				
Network Operating Expense	22,390	19,769	21,548	23,142
Access Charges	9,352	10,740	11,813	12,664
License fees/spectrum charges	6,943	7,256	8,054	8,618
Employee Costs	3,798	3,807	4,044	4,188
Sales & marketing expense	4,128	3,433	3,842	4,188
Other Overheads	8,351	5,926	6,471	6,723
Total Expenditure	54,961	50,930	55,773	59,523
EBITDA	25,819	36,610	45,335	50,685
EBITDAM (%)	32.0	41.8	44.8	46.0
Other income	457	850	978	1,124
Depreciation	21,348	27,690	31,289	32,854
PBIT	4,929	9,770	15,023	18,955
Interest expenses	9,589	12,382	11,391	10,480
PBT (before exceptional income / (loss))	(4,661)	(2,612)	3,632	8,475
Extraordinary income / (loss)	2,929	(40,234)	(11,746)	-
PBT	(1,732)	(42,847)	(8,114)	8,475
Tax	(3,419)	(12,182)	(2,272)	2,373
PAT	1,688	(30,664)	(5,842)	6,102
Minority Interest	1,278	1,519	685	1,485
Reported PAT	410	(32,183)	(6,527)	4,617
Adjusted PAT	(2,519)	8,051	5,219	4,617

Source : Company; RBL Research

Balance sheet - consolidated

Particulars (cr)	FY19	FY20	FY21E	FY22E
Share Capital	1,998.7	2,727.8	2,727.8	2,727.8
Reserves & Surplus	69,424	74,417	67,890	72,507
Total Shareholder's Fund	71,422	77,145	70,618	75,235
Minority interest	13,526	24,985	24,985	24,985
Non-Current Liabilities				
Total debt	125,428	148,228	139,776	131,771
Other long term liabilities	8,137	9,272	9,272	9,272
Deferred tax liabilities	1,130	1,688	1,818	1,948
Long term provision	682	755	755	755
Current Liabilities				
Trade payables	28,003	25,020	33,898	40,949
Short term provisions	220	45,109	45,111	45,113
Other current liabilities	26,649	28,577	34,507	39,112
Total liabilities	275,198	360,779	360,739	369,140
Fixed Assets	81,523	87,757	88,611	89,451
Current work in process	9,634	4,282	3,741	3,473
Intangible assets	119,309	115,593	115,993	116,193
Non current investment	18,064	25,477	27,611	29,042
Other non-current assets	9,522	37,778	37,778	37,778
Deferred Tax Assets	8,938	27,016	27,016	27,016
Current Assets				
Current investments	4,666	13,768	15,902	17,333
Inventories	88	157	181	198
Trade receivables	4,301	4,606	5,320	5,798
Cash & Cash equivalents	8,074	15,893	5,724	7,037
Other current assets	15,745	42,220	48,764	53,153
Total assets	275,198	360,779	360,739	369,140

Source : Company; RBL Research

Cash Flow statement - consolidated

Particulars (cr)	FY19	FY20	FY21E	FY22E
Reported PBT	(1,732)	(42,847)	(8,114)	8,475
Depreciation	21,348	27,690	31,289	32,854
Tax paid	3,419	12,182	2,272	(2,373)
Working capital Change	2,820	16,986	7,527	6,775
Operating Cash Flow (a)	25,855	14,012	32,974	45,730
Capex	(34,862)	(24,857)	(32,002)	(33,626)
Free Cash Flow	(9,007)	(10,845)	972	12,104
Investments	(3,490)	(35,669)	(2,134)	(1,431)
Investing Cash Flow (b)	(38,352)	(60,526)	(34,136)	(35,057)
Debt Issuance/ (Repaid)	14,095	22,800	(8,452)	(8,005)
Dividend Paid	(1,199)	(1,309)	-	-
Share Capital Issuance, QIP	2,678	39,215	-	-
Others	(1,673)	(6,373)	(555)	(1,355)
Financing Cash Flow (c)	13,900	54,333	(9,007)	(9,360)
Net Cash Flow (a + b + c)	1,403	7,819	(10,169)	1,313
Closing Cash	8,074	15,893	5,724	7,037

Source : Company; RBL Research

Key Financial ratios - consolidated

Particulars (cr)	FY19	FY20	FY21E	FY22E
Per Share Ratios				
EPS Rs	-6.3	14.8	9.6	8.5
Book value per share Rs	178.7	141.4	129.4	137.9
Profitability Ratios				
EBITDA Margin (%)	32.0	41.8	44.8	46.0
PBT Margin (%)	-2.1	-48.9	-8.0	7.7
Adjusted Net Profit Margin (%)	-3.1	9.2	5.2	4.2
RoCE (%)	-2.5	3.0	4.6	6.2
RoE (%)	-3.6	10.8	7.1	6.3
Efficiency				
Fixed Asset Turnover (x)	0.9	1.0	1.1	1.2
Debtor (Days)	19	19	19	19
Interest Cover Ratio (x)	0.5	0.7	1.2	1.7
Debt-Equity Ratio (x)	1.8	1.9	2.0	1.8
Valuation Ratios				
P/E (x)	-	37.1	57.2	64.6
P/B (x)	3.1	3.9	4.2	4.0
EV/EBIDTA (x)	13.0	11.8	9.5	8.3

Source : Company; RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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