

Q1FY21 result preview

- Bharti Airtel (ADD)
- Vodafone Idea (SELL)
- Bharti Infratel (BUY)
- Tata Communications (HOLD)

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## Telecom

## Growth breaks due to Covid-19 crisis

Mobile revenue growth to see a break with dip of 5% / 9.8% QoQ for Bharti Airtel (Bharti) and Vodafone Idea (VIL), respectively. This is due to temporary subs loss on labour migration, job losses and disconnection of multiple SIMs; and ARPU will be hurt from lower international roaming revenue, unavailability of recharges, lower gross adds etc. We see ARPUs dip by 4.3% / 6% QoQ for Bharti / VIL. However, low churn, more digital recharges and less ad spends will also help in reducing costs. Bharti will benefit from traction in its wired broadband and enterprise services; therefore, consolidated EBITDA dip will be marginal 1.7% QoQ, up 21% YoY. Bharti Infratel's performance will be steady, and may report rise in tenancies. Tata Communications' (TCom) EBITDA continues to grow healthy at 7.9% YoY benefited by work-from-home culture.

- ▶ **ARPU to dip due to Covid-19 crisis.** Bharti / VIL is likely to see a decline in subs due to 1) lower gross adds offset by low churn, and 2) adverse impact from migration and job losses. We estimate Bharti and VIL to see subs decline of 4mn / 8mn, respectively, in Q1FY21. ARPU impacted from non-availability of offline recharges, muted 4G net adds, negligible international roaming revenue and some temporary recharge aberration, is likely to dip 4.3% / 6% for Bharti / VIL respectively. However, low churn, more digital recharges and less ad spends will also help in reducing costs.
- ▶ **Bharti Airtel's consolidated EBITDA likely to dip 1.7% QoQ** to Rs101bn. Bharti's India revenue to fall 2.3% QoQ (+10.1% YoY) to Rs171bn mostly led by mobile segment (down 5% QoQ) and EBITDA to dip 3.7% QoQ to Rs72bn (EBITDA margin down 64bps QoQ to 42%). Bharti's Africa US\$ revenue and EBITDA are likely to dip 2.0% QoQ to US\$881mn and 2.6% QoQ to US\$383mn. Consolidated revenue and EBITDA to dip 1.2% QoQ to Rs235bn and 1.7% QoQ to Rs101bn, respectively. Net loss seen at Rs6bn. Forex losses of Rs5bn factored in our estimates.
- ▶ **VIL's EBITDA to dip 14.7% QoQ to Rs37bn.** Revenue likely to fall 9.8% QoQ to Rs106bn on much steeper impact on ARPU and higher subs base slippage. We expect cost saving to help cushion EBITDA dip (adjusted for Rs4bn one-off in Q4FY20). We expect VIL to report net loss of Rs59bn with nil tax rebate.
- ▶ **Bharti Infratel's tenancies to rise by 2,050** but rental/ tenant to dip 1% YoY to Rs42,185. Rental revenue to dip 1.7% YoY (down 1.3% QoQ) to Rs22.2bn on removal of equipment by tenants who have given exit notice. EBITDA is likely to dip 3.8% YoY to Rs18.2bn. We expect consolidated net profit to drop 15.7% YoY to Rs7.5bn. QoQ rise in EBITDA / PAT is due to higher cost in Q4FY20.
- ▶ **Tata Communications' (TCom) EBITDA is likely to rise 7.9% YoY to Rs8.5bn (excluding real estate).** We estimate GVS (global voice solutions) revenue to drop 2.0% QoQ and EBITDA margin at 6%. GDS (global data solutions) revenue is estimated to grow 4.5% QoQ on INR depreciation, higher data usage and traction in UCC segment (video conferencing); EBITDA margin to improve 10bps QoQ to 21.7%. We estimate net profit at Rs1.4mn.

## Quarterly summary

(Rs mn)	Sales			EBITDA			PAT		
	AMJ'20*	% chg		AMJ'20*	% chg		AMJ'20*	% chg	
		(QoQ)	(YoY)		(QoQ)	(YoY)		(QoQ)	(YoY)
Bharti Airtel	235,477	(1.2)	13.1	100,947	(1.7)	21.4	(5,968)	nm	Nm
Vodafone Idea	106,018	(9.8)	(5.9)	37,359	(14.7)	2.4	(59,193)	nm	Nm
Bharti Infratel	36,118	(0.3)	(2.7)	18,231	7.3	(3.8)	7,477	(1.9)	28.9
TCom	44,809	3.3	8.5	8,481	4.9	7.9	1,350	nm	Nm

AMJ'20\*: Apr-Jun20; Source: Company data, I-Sec research

**Table 1: Bharti and VIL to lose 4mn/8mn subs, respectively, QoQ**

Subscribers (mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Bharti Airtel	277	279	283	284	280	(1.4)		1.0	
Vodafone Idea	320	311	304	291	283	(2.7)		(11.6)	

Source: Company data, I-Sec research

**Table 2: ARPU to dip due to Covid-19 crisis**

ARPU (Rs)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Bharti Airtel	129	128	135	154	148	(4.3)		14.1	
Vodafone Idea	108	107	109	121	114	(6.0)		5.3	

Source: Company data, I-Sec research;

**Table 3: Voice minutes expected to dip**

Minutes (mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Bharti Airtel	737,108	716,642	758,897	821,900	805,462	(2.0)		9.3	
Vodafone Idea	676,259	630,688	624,289	615,684	566,429	(8.0)		(16.2)	

Source: Company data, I-Sec research

**Table 4: Data subs net add muted**

Data Subscribers (mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Bharti Airtel	120	124	138	149	150	0.7		24.6	
Vodafone Idea	143	140	142	140	140	-		(2.7)	

Source: Company data, I-Sec research

**Table 5: Data volumes to surge**

Data usage (mn MB)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Bharti Airtel	4,191,715	4,828,577	5,547,223	6,452,825	7,602,997	17.8		81.4	
Vodafone Idea	3,222,159	3,491,899	3,790,390	4,090,337	4,703,888	15.0		46.0	

Source: Company data, I-Sec research

**Table 6: Forex movement**

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ		YoY	
						change (%)	change (%)	change (%)	change (%)
Average INR/USD	69.6	71.2	71.3	73.7	76.6	(4.0)		(10.0)	

Source: Bloomberg, I-Sec research;

**Table 7: African currencies (average) movement against US\$**

Country	Contribution to Africa revenue (%)	% chg (QoQ)	% chg (YoY)	Country	Contribution to Africa revenue (%)	% chg (QoQ)	% chg (YoY)
Nigeria	34.4	(6.1)	(7.7)	Kenya	6.3	(4.5)	(5.2)
Uganda	10.6	(1.7)	(0.7)	Gabon	5.3	(0.0)	(1.1)
Zambia	5.9	(20.9)	(42.9)	Chad	3.4		
Tanzania	6.7	(0.3)	(0.3)	Malawi	4.5	(0.0)	1.2
D.R. Congo	9.3	(4.2)	(7.1)	Rwanda	1.7	(0.4)	(4.2)
Niger	4.8			Madagascar	2.2	(2.8)	(3.9)
Congo	4.1	(0.0)	(1.1)	Seychelles	0.8	(24.4)	(24.8)

Source: Bloomberg, I-Sec research; Note: Revenue contribution is based on CY18 numbers

## Bharti Airtel (ADD, target price: Rs655)

(QoQ chg: 20.6%; YoY chg: 55.5%)

### Q1FY21 estimates

(Rs mn, year ending March 31)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ change (%)	YoY change (%)
<b>Bharti Airtel - India</b>							
Revenue	155,338	154,507	158,770	175,000	171,043	(2.3)	10.1
EBITDA	60,723	63,298	65,119	74,622	71,836	(3.7)	18.3
EBITDA margin (%)	39.1	41.0	41.0	42.6	42.0	-64bp	291bp
<b>Bharti Airtel - Africa</b>							
<b>Financials (US\$ mn)</b>							
Revenue	796	844	883	899	881	(2.0)	10.7
EBITDA	348	372	394	393	383	(2.6)	10.1
EBITDA margin (%)	43.7	44.1	44.6	43.7	43.4	-27bp	-22bp
<b>Bharti - (Consolidated)</b>							
<b>Financials (Rs mn)</b>							
Revenue	208,125	211,990	220,216	238,221	235,477	(1.2)	13.1
EBITDA	83,173	89,049	93,203	102,646	100,947	(1.7)	21.4
EBITDA margin (%)	40.0	42.0	42.3	43.1	42.9	-22bp	291bp
PAT	(28,660)	(230,449)	(10,353)	(52,370)	(5,968)		
NPM (%)	(13.8)	(108.7)	(4.7)	(22.0)	(2.5)		
EPS (Rs)	(7.2)	(57.6)	(2.6)	(13.1)	(1.1)		

Source: Company data, I-Sec research

## Vodafone Idea (SELL, target price: Rs8)

(QoQ chg: 198.4%; YoY chg: -20.4%)

### Q1FY21 estimates

(Rs mn, year ending March 31)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ change (%)	YoY change (%)
Revenue	112,699	108,440	110,894	117,542	106,018	(9.8)	(5.9)
EBITDA	36,500	33,471	34,205	43,801	37,359	(14.7)	2.4
EBITDA margin (%)	32.4	30.9	30.8	37.3	35.2	-203bp	285bp
PAT	(48,739)	(509,219)	(64,388)	(116,435)	(59,193)		
NPM (%)	(43.2)	(469.6)	(58.1)	(99.1)	(55.8)		
EPS (Rs)	(1.7)	(17.7)	(2.2)	(4.1)	(2.1)		

Source: Company data, I-Sec research.

## Bharti Infratel (BUY, target price: Rs245)

(QoQ chg: 39.8%; YoY chg: -14.5%)

### Q1FY21 estimates

(Rs mn, year ending March 31)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ change (%)	YoY change (%)
<b>KPIs</b>							
Towers	92,632	93,421	94,244	95,372	95,790	0.4	3.4
Tenancies	173,247	173,406	174,150	174,581	176,631	1.2	2.0
Tenancies net adds (QoQ)	523	159	744	431	2,050		
Tenancy (x)	1.87	1.87	1.85	1.84	1.84		
Reported rentals (Rs/month)	42,591	42,591	42,987	42,406	42,185	(0.5)	(1.0)
<b>Financials (Rs mn)</b>							
Revenue	37,119	36,376	36,733	36,244	36,118	(0.3)	(2.7)
EBITDA	18,955	18,783	18,772	16,990	18,231	7.3	(3.8)
EBITDA margin (%)	51.1	51.6	51.1	46.9	50.5	360bp	-59bp
PAT	8,870	9,635	7,987	6,495	7,477	15.1	(15.7)
EPS (Rs)	4.8	5.2	4.3	3.5	4.0	15.1	(15.7)

Source: Company data, I-Sec research

## Tata Communications (HOLD, target price: Rs569)

(QoQ chg: 167.8%; YoY chg: 124.3%)

### Q1FY21 estimates

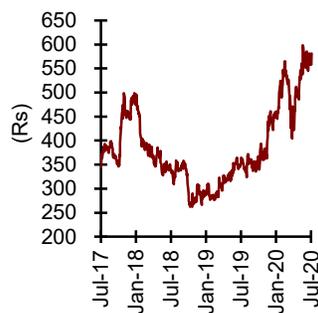
(Rs mn, year ending March 31)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21E	QoQ change (%)	YoY change (%)
<b>Segment Revenue</b>	<b>41,292</b>	<b>42,316</b>	<b>41,907</b>	<b>43,379</b>	<b>44,809</b>	<b>3.3</b>	<b>8.5</b>
Global voice	8,903	8,741	8,090	8,030	7,869	(2.0)	(11.6)
Global data services	32,389	33,575	33,817	35,349	36,939	4.5	14.0
<b>Segment EBITDA</b>	<b>7,861</b>	<b>7,925</b>	<b>7,227</b>	<b>8,089</b>	<b>8,481</b>	<b>4.9</b>	<b>7.9</b>
Global voice	892	812	470	460	472	2.6	(47.1)
Global data services	6,969	7,113	6,757	7,629	8,009	5.0	14.9
<b>Segment EBITDA margin (%)</b>	<b>19.0</b>	<b>18.7</b>	<b>17.2</b>	<b>18.6</b>	<b>18.9</b>		
Global voice	10.0	9.3	5.8	5.7	6.0		
Global data services	21.5	21.2	20.0	21.6	21.7		
<b>Consolidated</b>							
Revenue	41,291	42,317	41,904	43,377	44,809	3.3	8.5
EBITDA (adjusted)	7,861	7,926	7,225	8,087	8,481	4.9	7.9
EBITDA margin (%)	19.0	18.7	17.2	18.6	18.9	28bp	-11bp
PAT	766	539	585	(2,750)	1,350	(149.1)	76.2
NPM (%)	1.9	1.3	1.4	(6.3)	3.0		

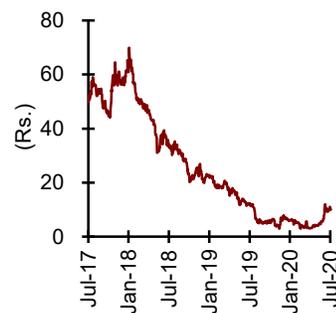
Source: Company data, I-Sec research

### Price charts

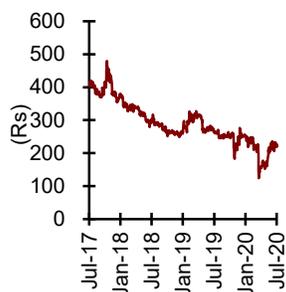
#### Bharti Airtel



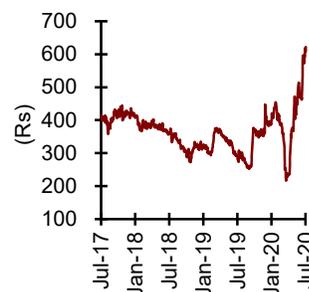
#### Vodafone Idea



#### Bharti Infratel



#### Tata Communications



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