

# Bharti Airtel

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BHARTI IN
Equity Shares (m)	5,884
M.Cap.(INRb)/(USD\$)	4043 / 50.8
52-Week Range (INR)	782 / 573
1, 6, 12 Rel. Per (%)	-7/-2/10
12M Avg Val (INR M)	7381

## Financials & Valuations (INR b)

INR Billion	FY22	FY23E	FY24E
Net Sales	1,165	1,366	1,519
EBITDA	575	698	806
Adj. PAT	31	68	102
EBITDA Margin (%)	49.4	51.1	53.1
Adj. EPS (INR)	5.6	12.2	18.2
EPS Gr. (%)	-527	117	50
BV/Sh. (INR)	119	159	178

## Ratios

Net D:E	2.3	1.3	0.8
RoE (%)	5.0	8.7	10.8
RoCE (%)	8.0	10.3	13.0
Div. Payout (%)	0.0	0.0	0.0

## Valuations

EV/EBITDA (x)	9.7	7.4	5.9
P/E (x)	126	58	39
P/BV (x)	5.9	4.4	4.0
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	2.2	7.6	10.0

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	55.9	55.9	55.9
DII	20.2	19.5	20.6
FII	18.6	19.4	18.2
Others	5.3	5.2	5.3

FII Includes depository receipts

**CMP: INR704 TP: INR910 (+29%) Buy**

## A steady quarter of growth and cashflow

- Bharti reported a steady quarter with healthy 3% QoQ consol. EBITDA growth that translated into a strong FCF generation and deleveraging. These were missing in the last few quarters. The healthy growth was aided by India Mobile/Africa EBITDA growth of 5% each on the back of sound ARPU improvement (in line with RJio).
- Bharti's EBITDA rose by >30% over FY19-22. We expect an 18% EBITDA CAGR during FY22-24 fueled by: a) 4G mix improvement, b) market share gains, and c) steady inroads into the non-wireless business (tariff hikes not factored in). All these factors are likely to translate into a strong >INR300b estimated FCF (post-interest) and deleveraging. Intensification of 5G-led capex in the near term would still keep its FCF strong. **Maintain BUY.**

## India Mobile EBITDA up 5% QoQ (in line) on healthy 3% ARPU growth

- India Mobile revenue, at INR182.2b, grew 3.4% QoQ (in line) backed by healthy 3% ARPU growth. This was in line with RJio's 3.7% QoQ revenue growth, and above VIL's 1.7% QoQ topline growth.
- EBITDA was up 4.6% QoQ to INR93.3b (in line). EBITDA margin improved 60bp to 51.2% with healthy 67% incremental margin. Surprisingly, despite diesel price rise, network cost was flat for the last two quarters. RJio saw 4% QoQ EBITDA growth, while VIL saw 7% QoQ growth (based on Pre IND-AS 116).
- ARPU at INR183 was up 3% QoQ in 1QFY23.
- Subscriber additions were modest at 1.3m v/s RJio's 10m additions but healthier than VIL's 3.4m decline. This was unlike the last quarter when Bharti was the only telco to add subscribers while RJio and VIL lost.
- Bharti's 4G subscriber additions were moderate at 4.5m reaching 205m subscribers (2% QoQ growth), i.e., 63% of total subscribers. RJio/VIL added 7m/0.9m 4G subscribers, respectively.

## Key highlights from the management call

- High proportion of mid-band spectrum should aid in accelerated 5G rollout on non-standalone network, covering 5,000 towns by Mar'24. The three-year capex should be at the same rate but may see some increment in the next 18 months.
- Management reiterated its expectation of ARPU improvement to INR200 and further to INR300 from the current ARPU of INR183.
- Lesser launch of low-priced smartphones in the recent past has reduced industry 4G subscriber additions. This should reverse in the near term.

## Valuation and view

- The stock is trading at 8x consolidated FY23E EV/EBITDA with India business trading at slightly below 10x. In the past, being an annuity business, Bharti has garnered low valuation multiple.
- Concern of intensified 5G-led capex has put pressure on the stock in the last few months. However, the potential FCF of >INR300b may still remain strong if the capex grows in the near term.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- We expect better valuation multiple for the stock given: a) a consistent 20% growth opportunity, b) low concern on 5G, and c) the company turning profitable with high 50% plus growth due to operating leverage.
- The INR160b uncalled Rights issue and INR52b investment by Google should offset Bharti's investment in 5G over the next two years.
- We see potential upsides for both India and Africa businesses aided by steady earnings growth. We value Bharti on FY24E, assigning 11x EV/EBITDA to the India Mobile business and 5x to the Africa business, and arriving at our SoTP-based TP of INR910. The ensuing earnings growth, 5% FCF yield, and ~25% deleveraging augur well for the stock. **Maintain BUY.**

## Consolidated - Quarterly Earnings Model

Y/E March	FY22				FY23E				FY22	FY23E	FY23E	(INR b) Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	Var (%)
<b>Revenue</b>	<b>269</b>	<b>283</b>	<b>299</b>	<b>315</b>	<b>328</b>	<b>336</b>	<b>346</b>	<b>356</b>	<b>1,165</b>	<b>1,366</b>	<b>324</b>	-2.7
YoY Change (%)	12.2	13.0	12.6	22.3	22.2	18.7	15.8	12.9	15.8	17.2	20.5	
Total Expenditure	139	145	152	155	163	166	168	171	590	668	158	-2.3
<b>EBITDA</b>	<b>130</b>	<b>138</b>	<b>147</b>	<b>160</b>	<b>165</b>	<b>170</b>	<b>178</b>	<b>185</b>	<b>575</b>	<b>698</b>	<b>165</b>	-3.0
YoY Change (%)	24.7	24.8	22.0	30.1	27.3	23.1	20.9	15.4	26.8	21.4	27.4	10
Depreciation	77	82	85	86	88	91	92	95	331	366	88	-2.2
Net Finance cost	42	40	44	41	45	39	38	37	166	157	39	3.2
Other Income	7	7	8	7	4	6	6	7	30	22	11	-31.2
<b>PBT before EO expense</b>	<b>17</b>	<b>23</b>	<b>26</b>	<b>41</b>	<b>36</b>	<b>46</b>	<b>54</b>	<b>60</b>	<b>108</b>	<b>197</b>	<b>49</b>	-15.6
Extra-Ord expense	0	-7	0	-9	0	0	0	0	-17	0	0	
<b>PBT</b>	<b>18</b>	<b>30</b>	<b>26</b>	<b>50</b>	<b>36</b>	<b>46</b>	<b>54</b>	<b>60</b>	<b>125</b>	<b>197</b>	<b>49</b>	2.9
Tax	8	10	10	13	11	16	19	21	42	67	20	
Rate (%)	47.0	34.0	37.5	26.2	31.3	35.0	35.0	35.0	33.5	34.0	40.0	
Minority Interest & P/L of Asso. Cos.	7	9	8	17	9	14	17	23	41	62	14	
<b>Reported PAT</b>	<b>3</b>	<b>11</b>	<b>8</b>	<b>20</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>16</b>	<b>43</b>	<b>68</b>	<b>15</b>	31.2
<b>Adj PAT</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>19</b>	<b>15</b>	<b>16</b>	<b>18</b>	<b>16</b>	<b>35</b>	<b>65</b>	<b>15</b>	21.5
YoY Change (%)	-161.1	-179.8	-370.7	477.4	469.4	161.4	126.5	-14.2	-405.0	84.1	474.5	

E: MOFSL Estimates

## Key positives

- **Healthy ARPU powers India Mobile growth:** ARPU grew 3% QoQ driving 3%/5% India Mobile revenue/EBITDA growth (in line with RJio), respectively, with healthy 67% incremental EBITDA margin. Bharti has registered 26% EBITDA CAGR during the last three years.
- **Strong FCF generation leads to deleveraging finally:** FCF at INR45b was strong (v/s INR17b YoY). This was finally reflected in a healthy INR40b deleveraging after last few quarters of one-offs and Indus' investment-led dilution.
- **Superior network capacity:** Despite robust data traffic volumes of 12.6b GB with 20 GB/user, the data traffic/subscribers were >50% below RJio, thus highlighting healthy network capacity and room for improvement. Still, Bharti added a strong 14k 4G sites this quarter.

## Key negatives

- **Moderate 4G adds:** Against a quarterly addition of 8-10m earlier, the 4G additions have slowed to 5m for the last couple of quarters possibly due to absorption of tariff hikes and shortfall of chips hurting smartphone sales. This is likely to recover in the coming quarters though.

- **5G auction and incrementally higher capex could cap deleveraging:** Recent auction spending of INR430b will increase net debt (excluding lease liability) to INR1,405b, i.e. 2.8x net debt to EBITDA. More importantly, it raises concern on the technology upgrade which will drive the next round of capex cycle.

### Home business sees strong benefit of increasing reach

- Home biz saw 6%/3% QoQ growth in both revenue/EBITDA to INR9.3b/4.9b (in line). Healthy subscriber growth of 7% on QoQ and 43% on YoY as its increased reach to 983 cities now (136 cities added in the quarter) v/s 219 cities in Dec'20, led by the LCO tie ups.
- Enterprise revenue/EBITDA grew 4%/3% QoQ to INR43.7b/INR17b. Against this, TCOM's 1%/3% revenue/EBITDA growth.
- Digital EBITDA continued to be muted, down 4% QoQ.

### Airtel Africa valuation to present upside opportunity:

The company is currently valued at 3x FY24E EV/EBITDA. If we exclude the recently sold ~11% stake in the Mobile Money business to MasterCard and TPG Group, at a valuation of 11x, the remainder of the Airtel Africa business (growing over 20% annually) is valued at 2.7x. Airtel Africa has consistently delivered strong earnings growth over the last three-to-four years, with ~30% CAGR over FY18-22. A strong Balance Sheet, with a low leverage and healthy FCF, adds to its strong capabilities. At a multiple of 5x/6x, it could offer an additional upside of 50%/90% hereafter, implying 6-7% upside for Bharti. Airtel Africa has rallied 70% in the last one year. Our SoTP-based TP for Bharti stands at INR910/share, including a value of INR108/share from Airtel Africa at 5x FY24E EV/EBITDA. Given the double-digit EBITDA growth, health FCF generation, and steady deleveraging, the current valuation should improve.

#### Exhibit 1: SoTP-based valuation on FY24E

	EBITDA (INR b)	Ownership	Proportionate EBITDA (INR b)	EV/EBITDA	Fair Value (INR b)	Value/ Share
India SA business (excl. towers)	579	100%	579	11	6,237	1062
Tower business (15% discount to fair value)		41.7%			243	41
Africa business	217	55.2%	120	5	599	102
Less net debt					1618	275
Total Value					5470	930
Shares o/s (b)	5.9					
CMP						704
Upside (%)						29

Source: Company, MOFSL



### Highlights from the management commentary

#### Key highlights

- High proportion of mid band spectrum should aid in accelerated 5G rollout on non-standalone network covering 5000 towns by March'24. Three year capex should be at same rate but may see some advancement in next 18 months.
- Company reiterates the expectation of ARPU to improve to INR200 and further INR300 from current ARPU of INR183.
- Lesser launch of low price smartphones in the recent past has reduced industry 4G subscriber additions. This should reverse in the near term.

## Detailed notes

### 5G Approach

- 3.5Ghz band will give the true 5G experience and hence the company has acquired 100MHz in each circle. Also acquired 800MHz in 26Ghz band across every circle, this spectrum has limited propagation but will give 4G type speed. Also the company has bolster in mid/low band.
- There are 2 modes where 5G operates- a) standalone mode (SA mode) and b) Non-standalone (NSA mode)
- **In standalone mode-** 5G layer is a top up to existing 4G layer. However there are 2 issues herein, 1) lack of well-developed ecosystem for SA device; 2) propagation- 3.4 Ghz has less prorogation than 2.3GHz band. This impact coverage in urban area. So SA is feasible only if they work with sub GHz band (usually below 1000MHz band)
- **Non-standalone mode-** Usually uplink in a band provides a user to download the content and for a voice call. Downlink in a band travel much further. So in 5G it is expected downlink to be done via 3.5Ghz band as it travels much further whereas uplink is done by 4G layer (1800/2100MHz mid-band). Advantages of NSA- 1) 3.5GHz will give a user 100 meter more coverage which was earlier a problem in urban area. And the area where mid-band doesn't reach, sub GHz bands will provide coverage, 2) all devices work in this ecosystem, 3) Allow to use existing 4G spectrum at no extra cost, 4) faster uplink and call connect will benefit user experience.
- In US/ South Korea where 5G is launched, it has seen that traffic in SA is 10% of total 5G traffic.
- Management said that Sub GHz in 5G provide speed of only 8-10mbps which is similar to 4G. They said that in 5G, NSA band provide higher speed. Hence no need for 700MHz band as per their spectrum portfolio.
- 700MHz band is no different from 850/900MHz band in respect to propagation. 700MHz band gives coverage in far area and 4G like speed. Also the cost for 700MHz is more.
- Over the last few years they have keep acquiring mid bank spectrum to scale up in NSA mode. So to avoid costly 700MHz band. 700MHz is also ESG unfriendly as it led high carbon emission, high rent and power utilization.
- Company expect not to spend any material amount in spectrum for the coming years
- On operating expense point of view, management expect high cost per GB in SA v/s NSA if the company has to buy 700MHz

### 5G Rollout:

- Company is expecting rollout 5G very soon and in March'24 expect to cover 5000+ rural and towns in India with 5G
- With this the 3 year capex will remain at the same level (INR 750b). However some advancement of capex will be seen in this year but after 18 months expect to be normalized.
- Sites are ready i.e. combination of fiber to the tower, FTTH and eband are all ready to deliver world class 5G experience. Even on cloud platform they have partnered to work smoothly.

- They expect 4G traffic will move to 5G and all the 4G bands will move very easy to 5G. They are working to automate the 5G network. 4G spend will be replaced by 5G spend in few years. Also all bands will be refarmed to 5G.
- **Economics of 5G-** Currently 30-35% of shipment is of 5G handset which is expected to reach 80-90% devices in next year. Currently 10% 5G devices are in use. So over 3 year period it will be completely utilized.
- Globally 5G haven't given additional ARPU to operator.

#### Strategic initiatives

- Company has received \$700m (INR52b) from Google for 1.2% stake.
- Company has launched broadband in Ladakh and Andaman & Nicobar island
- Company is positive to win the 5G game as-
  - They have high quality customers
  - Marketing and differentiation in line with quality customers
  - Digital capabilities- automate 5G
  - Set of digital services which will reduce churn and improve stickiness
  - Track record of the company is strong in terms of knowledge, high quality customers and have gaining market share

#### Airtel payment bank- Profitable fintech

- Company has monthly transacting user base of 44.4m. Clocked quarterly revenue of INR11b and GMV of \$5.3b
- Company take rate of 0.66% makes the highest in the industry and makes them the profitable fintech.

#### Digital services

- Generate annualized revenue of INR8.5b.
- Digital business is an asset light model with leverage as an underlying strength.

#### Airtel business

- It is now a #1 B2B player in India and generated 4.4% sequentially growth in revenue higher than any listed player.
- Fast products such as CPaaS, Data centers and Cyber security are now yielding results
- In IoT, they are outperforming the market by a margin and all IoT customer are postpaid.
- They have reported 29.2m in postpaid, 18.1m in mobile services and 11.1m in IoT. Postpaid segment is now 45% bigger segment than before.
- Broadband space continues to see customer addition.
- Company has added 1.7m home passes on the back of local cable operator and now they have presence in 983 cities.
- In a Broadband space, they have 310k customers with reported 5.7% sequential revenue growth in 1QFY23.
- DTH business decline 0.9% sequentially but gained market share in last few quarters.
- Mobile segment grew 3.4% sequential. They have added 4.5m net adds in this quarter and 250k postpaid customers.
- The industry saw 15% improvement from 2G to 4G.
- Except ARPU to increase to INR200 and further INR300 from current ARPU of INR183.

**Exhibit 2: Segmental business performance (INR m)**

	1QY22	4QFY22	1QFY23	YoY%	QoQ%	1QFY23E	v/s Est (%)
<b>Revenue</b>							
Mobile India	1,43,056	1,76,168	1,82,200	27.4	3.4	1,81,372	0.5
Home	6,531	8,762	9,265	41.9	5.7	9,130	1.5
Enterprise	37,893	41,798	43,656	15.2	4.4	42,634	2.4
Digital TV	8,094	7,552	7,482	-7.6	-0.9	7,598	-1.5
South Asia	952	984	667	-29.9	-32.2	1,004	-33.5
Africa	81,773	91,871	97,021	18.6	5.6	94,440	2.7
Eliminations	-9,848	-12,227	-12,245	24.3	0.1	-12,563	-2.5
<b>Consolidated Revenue*</b>	<b>2,68,536</b>	<b>3,15,003</b>	<b>3,28,046</b>	<b>22.2</b>	<b>4.1</b>	<b>3,23,711</b>	<b>1.3</b>
<b>EBITDA</b>							
Mobile India	70,335	89,215	93,281	32.6	4.6	92,693	0.6
Home	3,230	4,774	4,927	52.6	3.2	4,974	-0.9
Enterprise	14,685	16,451	17,011	15.8	3.4	16,780	1.4
Digital TV	5,421	4,952	4,779	-11.8	-3.5	4,982	-4.1
South Asia	-110	-176	-109	-1.4	-38.2	-173	-37.1
Africa	36,270	45,186	47,288	30.4	4.7	46,699	1.3
Eliminations	-3,160	-522	-1,884	-40.4	260.7	-538	249.8
<b>Consolidated EBITDA*</b>	<b>1,29,803</b>	<b>1,60,403</b>	<b>1,65,294</b>	<b>27.3</b>	<b>3.0</b>	<b>1,65,417</b>	<b>-0.1</b>
<b>EBITDA margin (%)</b>							
Mobile India	49.2	50.6	51.2	203bps	55bps	51.1	9bps
Home	49.4	54.5	53.2	373bps	-130bps	54.5	-130bps
Enterprise	38.8	39.4	39.0	21bps	-39bps	39.4	-39bps
Digital TV	67.0	65.6	63.9	-310bps	-170bps	65.6	-170bps
Mobile South Asia	-11.6	-17.9	-16.3	-471bps	159bps	-17.2	91bps
Africa	44.4	49.2	48.7	439bps	-44bps	49.4	-71bps
<b>Consolidated EBITDA margin*</b>	<b>48.3</b>	<b>50.9</b>	<b>50.4</b>	<b>205bps</b>	<b>-53bps</b>	<b>51.1</b>	<b>-71bps</b>
Depreciation and amortization	77,137	85,826	87,814	13.8	2.3	87,781	0.0
Operating income	52,666	74,577	77,480	47.1	3.9	77,636	-0.2
Other income and share of JV/Associate	7,045	7,322	3,550	-49.6	-51.5	10,650	-66.7
Net finance cost	42,257	40,593	45,109	6.7	11.1	39,317	14.7
<b>Proforma Profit Before Taxes</b>	<b>17,454</b>	<b>41,306</b>	<b>35,921</b>	<b>105.8</b>	<b>-13.0</b>	<b>48,969</b>	<b>-26.6</b>
Exceptional Items	-305	-9,062	0	-100.0	-100.0	0	NM
Proforma Tax	8,345	13,218	11,233	34.6	-15.0	19,588	-42.7
Effective Tax Rate (%)	47.8	32.0	31.3	NM	-72.9	40.0	-21.8
<b>Proforma Profit After Tax</b>	<b>9,414</b>	<b>37,150</b>	<b>24,688</b>	<b>162.2</b>	<b>-33.5</b>	<b>29,382</b>	<b>-16.0</b>
Proforma Minority Interest	6,579	17,072	8,619	31.0	-49.5	14,074	-38.8
<b>Proforma Net Profit</b>	<b>2,835</b>	<b>20,078</b>	<b>16,069</b>	<b>466.8</b>	<b>-20.0</b>	<b>15,308</b>	<b>5.0</b>
<b>Proforma Adj. Net Profit</b>	<b>2,664</b>	<b>18,603</b>	<b>15,171</b>	<b>469.4</b>	<b>-18.4</b>	<b>15,308</b>	<b>-0.9</b>

**Exhibit 3: India Mobile operating matrix**

India - Wireless KPIs	Q1FY22	Q4FY22	Q1FY23	YoY%	QoQ%	Q1FY23E	v/s Est (%)
Wireless traffic (b min)	1002	1051	1079	7.7	2.6	1073	0.5
Total subscribers (m)	321	326	327	1.9	0.4	329.3	-0.6
Data subscribers (m)	193	208	213	10.5	2.3	225.1	-5.3
4G subscribers	184.4	200.8	205.3	11.3	2.2		
ARPU (INR)	146	178	183	25.3	2.8	182	0.8
MOU (min)	1044	1081	1104	5.7	2.1	1092	1.1
Data Traffic (b MB)	10,771	11,849	12,561	16.6	6.0	12,987	-3.3
Data usage/sub (MB)	18,932	19,228	19,930	5.3	3.7	19,970	-0.2
Monthly churn (%)	2.8	2.8	3.0	20bps	20bps	2.8	20bps

Source: MOFSL, Company



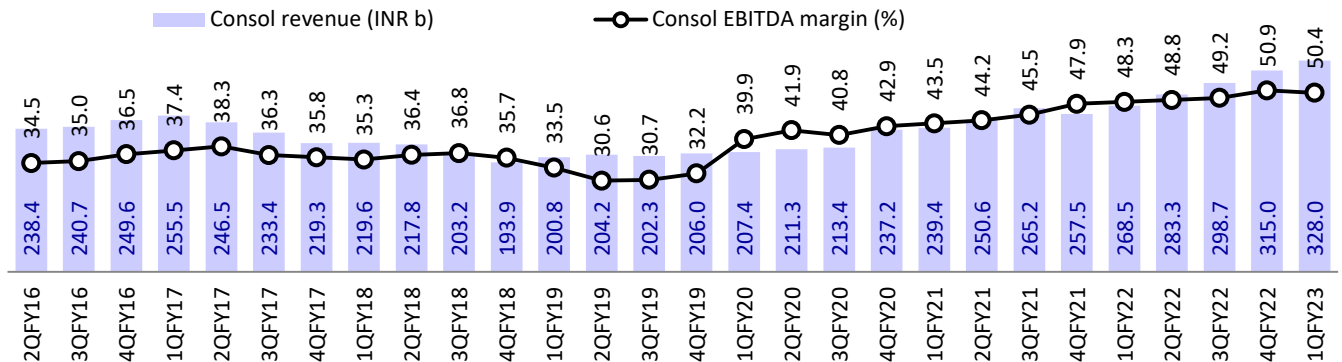
**Exhibit 4: Summary of estimate change**

<b>BHARTI AIRTEL: SUMMARY OF ESTIMATE CHANGE</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Revenue consolidated (INRb)</b>		
Old	1325	1470
New	1366	1519
Change (%)	3.1	3.3
<b>EBITDA consolidated (INRb)</b>		
Old	676	767
New	698	806
Change (%)	3.3	5.1
<b>EBITDA margin consolidated (%)</b>		
Old	51.0	52.2
New	51.1	53.1
Change (bp)	11	87
<b>India Mobile Revenue (INRb)</b>		
Old	763	857
New	762	854
Change (%)	-0.1	-0.3
<b>India Mobile EBITDA (INRb)</b>		
Old	395	462
New	400	476
Change (%)	1	3
<b>India Mobile EBITDA margin (%)</b>		
Old	51.8	53.9
New	52.5	55.7
Change (bp)	65	186
<b>Africa Mobile Revenue (INRb)</b>		
Old	366	399
New	401	444
Change (%)	9.8	11.1
<b>Africa Mobile EBITDA (INRb)</b>		
Old	173	188
New	195	217
Change (%)	12.6	15.3
<b>Africa EBITDA margin (%)</b>		
Old	47.4	47.1
New	48.6	48.9
Change (bp)	1.2	1.8

Source: Company, MOFSL

## Story in charts

Exhibit 5: Consolidated revenue up 4% QoQ (INR b, %)



Source: MOFSL, Company

Exhibit 6: India Mobile revenue up 3% QoQ

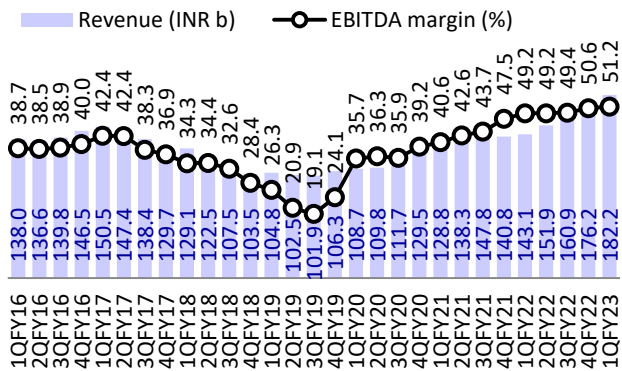


Exhibit 7: Africa revenue up 1% QoQ

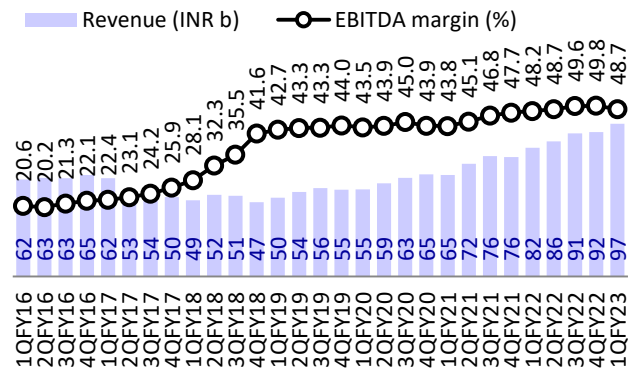


Exhibit 8: India Mobile ARPU up 3% QoQ

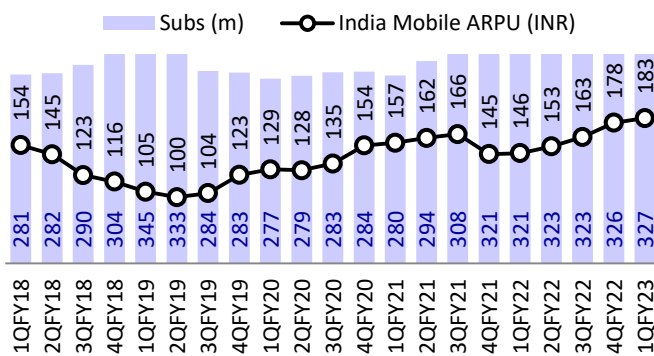
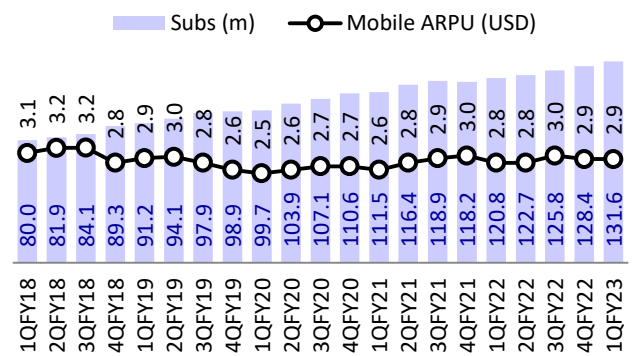
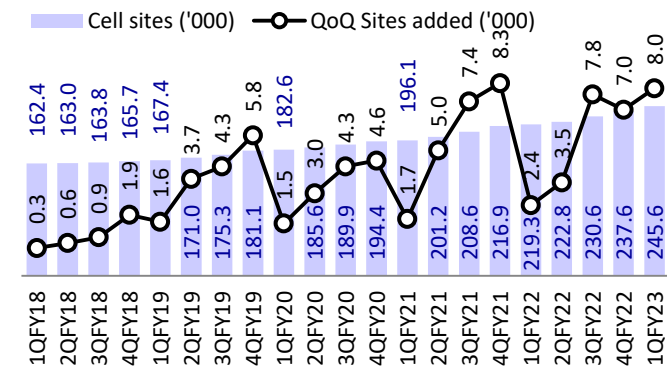


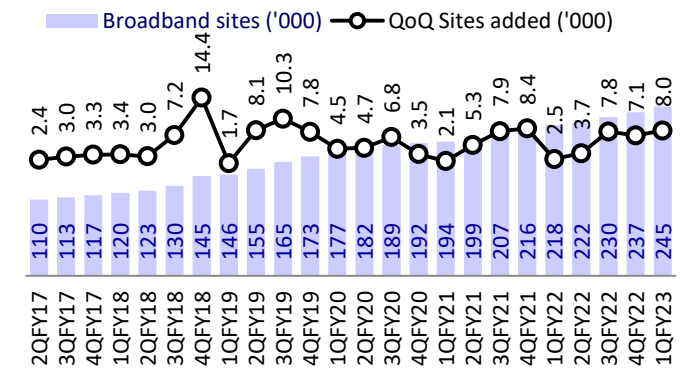
Exhibit 9: Africa added 2.9m subscribers sequentially



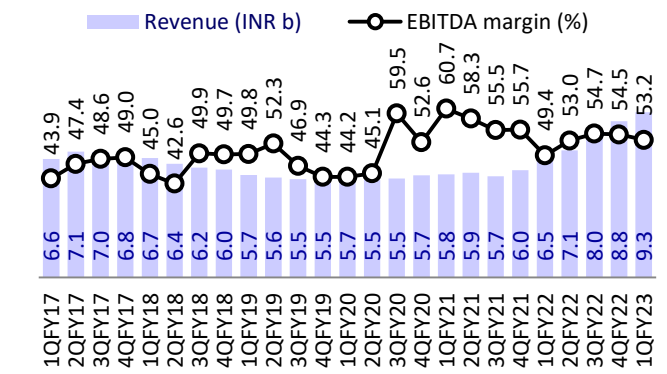


**Exhibit 10: India Mobile total cell site base and quarterly additions**

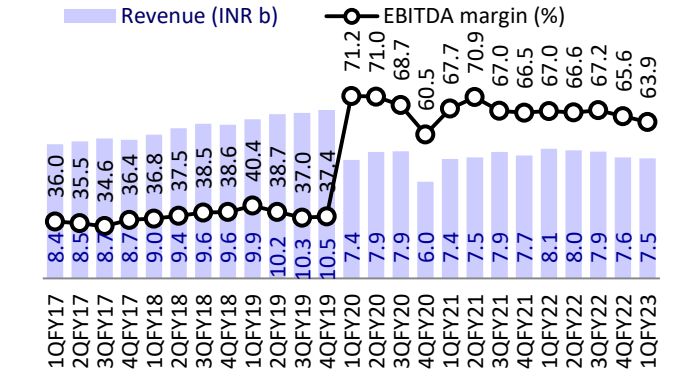
Source: Company, MOFSL

**Exhibit 11: India Mobile broadband site base and quarterly additions**

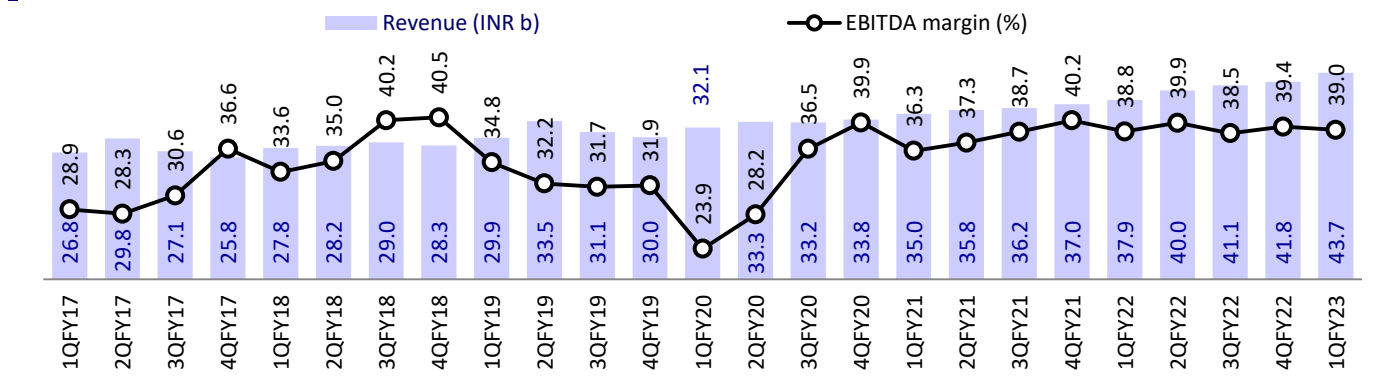
Source: Company, MOFSL

**Exhibit 12: Telemedia business revenue up 6% QoQ**

Source: Company, MOFSL

**Exhibit 13: Revenue for Digital TV business were flat QoQ**

Source: Company, MOFSL

**Exhibit 14: Revenue for the Enterprise business up 4% QoQ**

Source: MOFSL, Company

**Exhibit 15: Business mix**

<b>Revenue (INR b)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Mobile	566	463	416	460	556	632	762	854
Telemedia	28	25	22	22	23	30	40	46
Enterprise	109	113	125	132	144	161	182	198
Others (incl South Asia)	49	46	47	34	35	36	34	36
Africa	220	191	215	242	289	351	401	444
Total revenue	1032	904	892	947	1074	1210	1418	1578
Eliminations and others	78	78	84	72	50	44	52	59
<b>Consolidated revenue</b>	<b>955</b>	<b>826</b>	<b>808</b>	<b>875</b>	<b>1024</b>	<b>1165</b>	<b>1366</b>	<b>1519</b>
<b>YoY%</b>	<b>-1</b>	<b>-13</b>	<b>-2</b>	<b>8</b>	<b>17</b>	<b>14</b>	<b>17</b>	<b>11</b>
<b>EBITDA (INR b)</b>								
Mobile	227	151	94	170	243	314	400	476
Telemedia	13	12	11	11	13	16	21	24
Enterprise	34	42	41	43	55	63	71	77
Others (incl South Asia)	10	10	13	20	21	20	19	21
Africa	51	68	93	107	133	172	195	217
Total EBITDA	364	315	285	388	483	585	706	815
Eliminations and others	-11	-14	-26	-28	-24	-10	-8	-9
<b>Consolidated EBITDA</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>360</b>	<b>459</b>	<b>575</b>	<b>698</b>	<b>806</b>
<b>YoY%</b>	<b>4</b>	<b>-15</b>	<b>-14</b>	<b>40</b>	<b>27</b>	<b>25</b>	<b>21</b>	<b>15</b>
<b>Consolidated EBITDA margin (%)</b>	<b>37.0</b>	<b>36.4</b>	<b>31.9</b>	<b>41.4</b>	<b>45.1</b>	<b>49.4</b>	<b>51.1</b>	<b>53.1</b>
<b>Capex (INR b)</b>								
<b>Consolidated capex</b>	<b>384</b>	<b>267</b>	<b>305</b>	<b>221</b>	<b>334</b>	<b>424</b>	<b>250</b>	<b>252</b>
<b>YoY%</b>	<b>42</b>	<b>-30</b>	<b>14</b>	<b>-28</b>	<b>51</b>	<b>27</b>	<b>-41</b>	<b>1</b>
<b>Capex/Sales (%)</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>25</b>	<b>33</b>	<b>36</b>	<b>18</b>	<b>17</b>

Source: Company, MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>955</b>	<b>826</b>	<b>808</b>	<b>869</b>	<b>1,006</b>	<b>1,165</b>	<b>1,366</b>	<b>1,519</b>
Change (%)	-1.1	-13.4	-2.2	7.6	15.7	15.8	17.2	11.2
<b>Total Expenditure</b>	<b>601</b>	<b>526</b>	<b>550</b>	<b>509</b>	<b>552</b>	<b>590</b>	<b>668</b>	<b>713</b>
% of Sales	63.0	63.6	68.1	58.6	54.9	50.6	48.9	46.9
<b>EBITDA</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>360</b>	<b>454</b>	<b>575</b>	<b>698</b>	<b>806</b>
Margin (%)	37.0	36.4	31.9	41.4	45.1	49.4	51.1	53.1
Depreciation	198	192	213	276	294	331	366	395
<b>EBIT</b>	<b>156</b>	<b>108</b>	<b>44</b>	<b>85</b>	<b>160</b>	<b>244</b>	<b>332</b>	<b>412</b>
Int. and Finance Charges	77	81	96	135	151	166	157	137
Other Income	10	13	5	16	6	30	22	25
<b>PBT bef. EO Exp.</b>	<b>89</b>	<b>41</b>	<b>-47</b>	<b>-34</b>	<b>14</b>	<b>108</b>	<b>197</b>	<b>300</b>
EO Items	-12	-8	29	-402	-159	17	0	0
<b>PBT after EO Exp.</b>	<b>77</b>	<b>33</b>	<b>-17</b>	<b>-437</b>	<b>-145</b>	<b>125</b>	<b>197</b>	<b>300</b>
Total Tax	35	11	-34	-123	89	42	67	105
Tax Rate (%)	45.1	33.2	197.4	28.2	-61.7	33.5	34.0	35.0
Profit from discontinued operations	0.0	0.0	0.0	7.1	110.6	0.0	0.0	0.0
Minority Interest	4	11	13	15	27	41	62	94
<b>Reported PAT</b>	<b>38</b>	<b>11</b>	<b>4</b>	<b>-322</b>	<b>-151</b>	<b>43</b>	<b>68</b>	<b>102</b>
<b>Adjusted PAT</b>	<b>44</b>	<b>14</b>	<b>-35</b>	<b>-41</b>	<b>-7</b>	<b>31</b>	<b>68</b>	<b>102</b>
Change (%)	-9.5	-68.6	-350.3	16.6	-82.3	-534.2	117.4	49.8
Margin (%)	4.7	1.7	-4.3	-4.7	-0.7	2.7	5.0	6.7

### Consolidated - Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	20	20	20	27	27	28	29	29
Total Reserves	655	675	694	744	562	638	862	963
<b>Net Worth</b>	<b>675</b>	<b>695</b>	<b>714</b>	<b>771</b>	<b>590</b>	<b>666</b>	<b>891</b>	<b>993</b>
Minority Interest	69	88	135	250	223	254	316	410
Total Loans	1,073	1,113	1,254	1,176	1,628	1,697	1,285	1,186
Lease liabilities	0	0	0	306	0	0	0	0
Deferred Tax Liabilities	-17	-22	-83	-263	-222	-217	-217	-217
<b>Capital Employed</b>	<b>1,799</b>	<b>1,875</b>	<b>2,021</b>	<b>2,241</b>	<b>2,218</b>	<b>2,399</b>	<b>2,276</b>	<b>2,372</b>
<b>Net Fixed Assets</b>	<b>1,891</b>	<b>1,589</b>	<b>1,684</b>	<b>1,690</b>	<b>2,292</b>	<b>2,500</b>	<b>2,384</b>	<b>2,241</b>
Goodwill on Consolidation	0	328	333	346	0	0	0	0
Capital WIP	0	52	88	40	0	0	0	0
<b>Right of use assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Investments</b>	<b>182</b>	<b>180</b>	<b>176</b>	<b>278</b>	<b>329</b>	<b>359</b>	<b>359</b>	<b>359</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>234</b>	<b>327</b>	<b>382</b>	<b>724</b>	<b>617</b>	<b>561</b>	<b>584</b>	<b>882</b>
Inventory	0	1	1	2	0	0	0	2
Account Receivables	47	59	43	46	36	41	42	50
Cash and Bank Balance	13	48	62	136	81	61	67	343
Loans and Advances	173	219	276	541	500	459	475	488
<b>Curr. Liability &amp; Prov.</b>	<b>507</b>	<b>602</b>	<b>641</b>	<b>1,097</b>	<b>1,020</b>	<b>1,020</b>	<b>1,051</b>	<b>1,111</b>
Account Payables	497	577	621	621	1,020	1,020	1,051	1,111
Provisions	10	25	20	476	0	0	0	0
<b>Net Current Assets</b>	<b>-273</b>	<b>-275</b>	<b>-259</b>	<b>-373</b>	<b>-403</b>	<b>-460</b>	<b>-467</b>	<b>-228</b>
<b>Appl. of Funds</b>	<b>1,799</b>	<b>1,875</b>	<b>2,021</b>	<b>2,241</b>	<b>2,218</b>	<b>2,399</b>	<b>2,276</b>	<b>2,372</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>11.1</b>	<b>3.5</b>	<b>-8.7</b>	<b>-7.5</b>	<b>-1.3</b>	<b>5.6</b>	<b>12.2</b>	<b>18.2</b>
Cash EPS	60.6	51.6	44.7	43.1	52.2	64.8	77.6	88.8
BV/Share	168.8	173.9	178.7	141.4	107.3	119.1	159.4	177.6
Payout (%)	12.7	43.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E	63.4	201.9	-80.7	-94.4	-538.0	126.1	58.0	38.7
Cash P/E	11.6	13.7	15.8	16.4	13.5	10.9	9.1	7.9
P/BV	4.2	4.1	3.9	5.0	6.6	5.9	4.4	4.0
EV/Sales	4.1	4.7	5.0	6.0	5.4	4.8	3.8	3.1
EV/EBITDA	11.0	12.9	15.6	14.4	11.9	9.7	7.4	5.9
Dividend Yield (%)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-22.9	7.8	-26.2	-7.3	26.9	22.6	73.0	91.7
<b>Return Ratios (%)</b>								
RoE	6.6	2.0	-5.0	-5.5	-1.1	5.0	8.7	10.8
RoCE	5.3	4.6	-2.5	3.7	12.8	8.0	10.3	13.0
RoIC	5.4	4.5	-2.6	3.5	14.4	8.6	11.5	15.2
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.5	0.6	0.7
Asset Turnover (x)	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.6
Debtor (Days)	18	26	19	19	13	13	11	12
Creditor (Days)	190	255	281	261	370	320	281	267
<b>Leverage Ratio (x)</b>								
Current Ratio	0.5	0.5	0.6	0.7	0.6	0.5	0.6	0.8
Interest Cover Ratio	2.0	1.3	0.5	0.6	1.1	1.5	2.1	3.0
Net Debt/Equity	1.3	1.3	1.4	1.5	2.5	2.3	1.3	0.8

### Consolidated - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>(INR b)</b>								
OP/(Loss) before Tax	77	33	-17	-428	-31	125	197	300
Depreciation	198	192	213	277	297	331	366	395
Interest & Finance Charges	95	93	110	137	149	165	157	137
Direct Taxes Paid	-32	-14	-12	-23	-22	-22	-67	-105
(Inc)/Dec in WC	-27	6	-55	-166	30	-14	4	38
<b>CF from Operations</b>	<b>311</b>	<b>311</b>	<b>239</b>	<b>-203</b>	<b>423</b>	<b>585</b>	<b>658</b>	<b>764</b>
Others	-19	-12	-39	384	59	-35	0	0
<b>CF from Operating incl EO</b>	<b>292</b>	<b>299</b>	<b>201</b>	<b>181</b>	<b>482</b>	<b>550</b>	<b>658</b>	<b>764</b>
(Inc)/Dec in FA	-384	-267	-305	-221	-334	-424	-250	-252
<b>Free Cash Flow</b>	<b>-92</b>	<b>31</b>	<b>-105</b>	<b>-40</b>	<b>148</b>	<b>127</b>	<b>408</b>	<b>512</b>
(Pur)/Sale of Investments	-1	-33	1	-88	38	-5	9	0
Others	69	40	19	5	27	10	0	0
<b>CF from Investments</b>	<b>-316</b>	<b>-260</b>	<b>-285</b>	<b>-305</b>	<b>-269</b>	<b>-419</b>	<b>-241</b>	<b>-252</b>
Issue of Shares	1	0	99	462	7	10	156	0
Inc/(Dec) in Debt	9	40	106	-180	-118	-19	-411	-99
Interest Paid	-59	-44	-76	-110	-71	132	-157	-137
Dividend Paid	-9	-33	-47	-18	-27	-14	0	0
Others	53	56	13	37	-40	-257	1	0
<b>CF from Fin. Activity</b>	<b>-4</b>	<b>19</b>	<b>95</b>	<b>191</b>	<b>-249</b>	<b>-148</b>	<b>-411</b>	<b>-236</b>
<b>Inc/Dec of Cash</b>	<b>-28</b>	<b>58</b>	<b>10</b>	<b>68</b>	<b>-36</b>	<b>-17</b>	<b>6</b>	<b>276</b>
Opening Balance	18	-10	41	54	131	91	74	80
<b>Closing Balance</b>	<b>-10</b>	<b>41</b>	<b>54</b>	<b>131</b>	<b>91</b>	<b>74</b>	<b>80</b>	<b>356</b>
<b>Less :- Bank overdraft</b>	<b>-23</b>	<b>-7</b>	<b>-8</b>	<b>-5</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>Net Closing Balance</b>	<b>13</b>	<b>48</b>	<b>62</b>	<b>136</b>	<b>81</b>	<b>61</b>	<b>67</b>	<b>343</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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