

May 27, 2025

## Steadfast on growth path...

About the stock: Bharti Airtel (Airtel) is India's second largest telecom operator with ~36.2 crore wireless customers in India and ~16.6 crore subscribers across 14 African countries. It enjoys industry leading ARPU in the wireless business in India.

Q4FY25 Performance: Revenues at ₹ 41473 crore, was up 6.1% QoQ and up 27% YoY, also aided by consolidation of Indus for full quarter in Q4 vs. 43 days in Q3. India wireless revenues were up 1.3% QoQ (up 20.6% YoY) at ₹ 26617 crore, driven by healthy subscriber addition (5 mn) despite muted Average Revenues per User (ARPU), came at ₹ 245, flat QoQ and up ~17.3% YoY, QoQ being muted owing to lower number of days in Q4. It witnessed healthy 4G+5G Net adds of 6.6 mn during the quarter, with 4G/5G data sub base at 276.8 mn. Africa Revenues at ₹ 11376 crore, were up 6.3% QoQ. Consolidated EBITDA came in at ₹ 27009 crore, with margins of 56.4%, up 191 bps QoQ, driven by non-wireless business as well as India wireless margins at 59.2%, up 35 bps QoQ, while Africa Margins at 47.3% was up 31 bps QoQ. Adjusted PAT at ₹ 5223 crore, was up 77% YoY.

### Investment Rationale

- Wireless Business on a strong footing vs. peer: The wireless business of Airtel is on a strong footing and clearly showed superior tariff hike flow through. It continued to lead in key metrics in FY25 such as a) ARPU (14.7% growth vs. ~8.3% for Jio), and b) Margins (Wireless margins of 57.8%, up 279 bps YoY vs. 52.8% for Jio (46 bps improvement YoY) along with c) strong cash flow generations (FCF (post interest) of ₹ 36,061 crore for Airtel in FY25 vs. ₹ 8521 crore for Jio).
- Healthy ARPU growth and margin expansion ahead: Airtel's ARPU is expected to witness ~10.2% CAGR over FY25-27E to ₹ 285, as we bake in another 10% tariff hike in H2FY26 alongwith mix led improvement. We also highlight that stepped-up tariff will also drive India margins improvement of 320 bps from FY25 to 58.9% in FY27.
- Non-wireless business – Broadband and domestic enterprise adjacencies to drive growth: There is a significant runway for growth ahead in the Homes Broadband business as Airtel expects the overall connected homes in India, over the medium term, to double to ~80-90 mn vs. current levels of 46 mn. In the Enterprise segment, the company has defocused on international wholesale voice and SMS services, while reiterated its focus on the domestic connectivity segment and adjacent areas such as cloud, security, IOT, and CPaaS, alongwith Data Centre.

### Rating and Target Price

- Airtel continues to maintain its relative strength among peers in a consolidated industry. With a formidable digital ecosystem offering and overall efforts through premiumisation and higher wallet share, the industry leading ARPU, wireless margins and cash flows are reflective of the same.
- We maintain BUY rating, with target price of ₹2170 on SoTP basis.

### Key Financial Summary

(Year-end March)	FY23	FY24	FY25	5 yr CAGR (FY20-25)	FY26E	FY27E	2 yr CAGR (FY25-27E)
Net Sales (₹ crore)	1,39,145	1,49,982	1,72,985	14.6	2,16,650	2,38,478	17.4
EBITDA (₹ crore)	71,274	78,292	93,159	20.6	1,22,987	1,35,665	20.7
Adj. PAT (₹ crore)	8,156	11,305	17,552	LP	25,566	34,257	39.7
EPS (₹)	14.7	13.0	57.9		42.0	56.3	
P/E (x)	125.6	141.9	31.9		44.0	32.8	
Price / Book (x)	13.5	12.9	9.4		8.1	6.5	
EV/EBITDA (x)	18.0	16.2	13.6		9.7	8.3	
RoCE (%)	10.3	11.9	12.7		17.1	18.7	
RoE (%)	10.5	13.8	15.4		18.3	19.7	

Source: Company, ICICI Direct Research



### Particulars

Particulars	₹ crore
Market Cap	10,71,297
Total Debt	2,13,642
Cash & Inv	9,905
EV	12,75,034

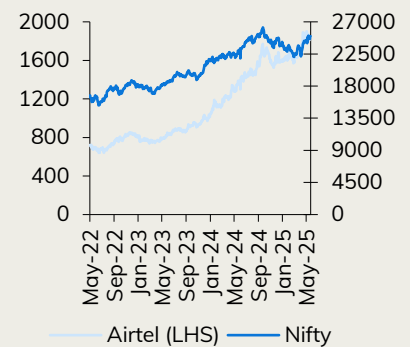
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Equity capital	2,900
Face value (₹)	5.0

### Shareholding pattern

	Mar-24	Sep-24	Dec-24	Mar-25
Promoters	56.9	55.1	55.0	55.0
FII	14.8	15.6	16.5	16.1
DII	14.7	15.6	14.6	15.3
Others	13.6	13.8	13.9	13.6

### Price Chart



### Key risks

- Any Market share loss in wireless business
- Increased competitive intensity

### Research Analyst

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## Quarter Performance

	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)	Comments
Revenue	47,876	37,599	45,129	27.3	6.1	
Employee Expenses	1,831	1,364	1,608	34.3	13.9	
Marketing Expenses	4,815	4,311	4,764	11.7	1.1	
Access Charges	1,478	1,850	1,964	-20.1	-24.7	
Network Operating	9,106	7,599	8,627	19.8	5.6	
License Fee	3,637	3,111	3,570	16.9	1.9	
EBITDA	27,009	19,365	24,597	39.5	9.8	
EBITDA Margin (%)	56.4	51.5	54.5	491 bps	191 bps	
Depreciation	12,326	10,075	11,704	22.3	5.3	
Interest	5,502	5,203	5,676	5.7	-3.1	
Exceptional Items	140	2,456	-7,546	NM	NM	
Total Tax	-2,892	710	757	-507.4	-481.9	
PAT	11,022	2,072	14,781	432.0	-25.4	
Adjusted PAT	5,223	2,952	5,494	76.9	-4.9	
Subscribers (Mn)	361.6	352.3	356.6	2.7	1.4	
ARPU	245.0	208.9	245	17.3	-0.1	

Source: Company, ICICI Direct Research

## Exhibit 1: Key Metric and Assumption

	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
India							
Wireless Subs (Mn)	321.4	326.0	335.4	352.3	361.6	376.3	391.6
ARPU	154	160	189	204	234	259	284
Total Minutes (Bn)	3,603	4,104	4,348	4,667	4,882	5,141	5,350
MOU (mins)	992	1,056	1,096	1,131	1,140	1,161	1,161
Africa							
Subscriber base	118.2	128.4	140.0	152.7	166.1	176.2	187.1
ARPU (\$)	2.9	3.2	2.3	2.6	2.3	2.4	2.4
Total Minutes	322.9	378.7	439.1	504.4	570.2	630.0	690.3
MoU	235	256	273	287	298	307	317

Source: Company, ICICI Direct Research

## Financial Summary

## Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Total operating Income	1,49,982	1,72,985	2,16,650	2,38,478
Growth (%)	7.8	15.3	25.2	10.1
Employee Expenses	5,323	6,309	8,844	9,843
Marketing Expenses	16,794	19,013	22,541	24,438
Access Charges	7,519	7,171	8,846	9,728
Network Operating	30,019	33,504	38,222	41,598
License Fee	12,036	13,829	15,211	17,206
Total Operating Expenditure	71,691	79,826	93,663	1,02,813
EBITDA	78,292	93,159	1,22,987	1,35,665
Growth (%)	9.8	19.0	32.0	10.3
Depreciation	39,538	45,570	58,496	64,389
Interest	22,648	21,754	20,364	17,507
Other Income	1,435	1,574	2,000	2,080
Exceptional Items	7,572	-7,287	0	0
PBT	9,970	34,696	46,127	55,849
MI / Profit from associates	-1,618	222	5,800	3,720
Total Tax	4,121	917	14,761	17,872
PAT	7,467	33,556	25,566	34,257
Growth (%)	-10.5	349.4	-23.8	34.0
EPS (₹)	13.0	57.9	44.1	59.1

Source: Company, ICICI Direct Research

## Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	7,467	33,556	25,566	34,257
Add: Depreciation	39,538	45,570	58,496	64,389
Add: Interest Paid	22,648	21,754	20,364	17,507
(Inc)/dec in Current Assets	-2,289	-7,549	-12,423	-6,210
Inc/(dec) in CL and Prov	9,624	19,367	32,435	16,097
Others	0	0	0	0
CF from op activities	76,987	#####	1,24,438	1,26,040
(Inc)/dec in Investments	1,191	24,560	-25,000	-25,000
(Inc)/dec in Fixed Assets	-38,908	-95,330	-30,000	-30,000
Others	-262	-15,941	-3,000	-2,000
CF from inv activities	-37,979	-86,711	-58,000	-57,000
Issue/(Buy back) of Equity	40	24	143	0
Inc/(dec) in loan funds	-10,428	-1,950	-20,000	-30,000
Dividend paid & dividend tax	0	0	0	0
Interest Paid	-22,648	-21,754	-20,364	-17,507
Others	-3,051	-1,927	0	0
CF from fin activities	-36,087	-25,607	-40,222	-47,507
Net Cash flow	2,921	380	26,217	21,533
Opening Cash	13,419	16,340	16,720	42,937
Closing Cash	16,340	16,720	42,937	64,470

Source: Company, ICICI Direct Research

## Exhibit 4: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Liabilities				
Equity Capital	2,877	2,900	3,043	3,043
Reserve and Surplus	79,142	1,10,772	1,36,338	1,70,596
Total Shareholders funds	82,019	1,13,672	1,39,381	1,73,638
Total Debt	2,15,592	2,13,642	1,93,642	1,63,642
Deferred Tax Liability	2,512	9,355	9,355	9,355
Others	36,443	50,360	47,360	45,360
Total Liabilities	3,36,566	3,87,028	3,89,737	3,91,995
Assets				
Net Block	2,20,865	2,76,932	2,48,436	2,14,047
CWIP	16,904	10,596	10,596	10,596
Goodwill	26,502	51,697	51,697	51,697
Right of Use	55,937	60,242	60,242	60,242
Investments	34,445	9,885	34,885	59,885
Debtors	4,728	7,456	9,338	10,278
Loans and Advances	11,868	14,913	18,677	20,558
Other Current Assets	25,071	26,848	33,624	37,012
Cash	16,340	16,720	42,937	64,470
Total Current Assets	58,007	65,936	1,04,575	1,32,318
Creditors	35,133	38,154	48,079	52,922
Other Current Liabilities	72,833	89,178	1,11,689	1,22,941
Total Current Liabilities	1,07,965	1,27,332	1,59,767	1,75,864
Net Current Assets	-49,959	-61,396	-55,192	-43,545
Others Assets	31,872	39,073	39,073	39,073
Application of Funds	3,36,566	3,87,028	3,89,737	3,91,995

Source: Company, ICICI Direct Research

## Exhibit 5: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
EPS	13.0	57.9	42.0	56.3
Cash EPS	82.0	136.4	138.1	162.1
BV	143.0	196.0	229.0	285.3
Operating Ratios				
EBITDA Margin (%)	52.2	53.9	56.8	56.9
EBIT Margin (%)	25.8	27.5	29.8	29.9
PAT Margin (%)	7.5	10.1	11.8	14.4
Inventory days	0.0	0.0	0.0	0.0
Debtor days	11.5	15.7	15.7	15.7
Creditor days	85.5	80.5	81.0	81.0
Return Ratios (%)				
RoE	13.8	15.4	18.3	19.7
RoCE	11.9	12.7	17.1	18.7
RoIC	20.5	23.0	40.7	62.4
Valuation Ratios (x)				
P/E	141.9	31.9	44.0	32.8
EV / EBITDA	16.2	13.6	9.7	8.2
EV / Net Sales	8.5	7.3	5.5	4.7
Market Cap / Sales	7.1	6.2	4.9	4.5
Price to Book Value	12.9	9.4	8.1	6.5
Solvency Ratios				
Debt/EBITDA	2.8	2.3	1.6	1.2
Debt / Equity	2.6	1.9	1.4	0.9
Current Ratio	0.4	0.4	0.4	0.4
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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