

## Strong all-round performance...

Bharti Airtel reported yet another strong operating performance with beat on KPIs such as ARPU, subscriber addition and margins. Consolidated topline came in at ₹ 25785 crore, up 7.7% QoQ, driven by Indian wireless revenues, which were up 7.4% QoQ at ₹ 13832 crore, led by healthy net sub addition of ~13.9 million (mn) and ARPU growth of 3.4% QoQ at ₹ 162. It also witnessed strong 4G net adds of ~14.4 mn during the quarter, with 4G data sub base at 152.7 mn. Africa revenues were up 11.1% QoQ at ₹ 7166 crore. Consolidated EBITDA came in at ₹ 11,642 crore, up 11.9% QoQ with margin of 45.2% (up 167 bps QoQ). Overall Indian margin was up 156 bps QoQ at 45.8% with Indian wireless margins at 42.6%, up 200 bps QoQ, largely a function of operating leverage.

### India wireless business – strong performance across

The key highlight was net subscriber addition of ~13.9 million coupled with low monthly churn of 1.7% and ARPU growth of 3.4% QoQ at ₹ 162. It also witnessed strong 4G net adds of ~14.4 mn. The company also added ~695000 post-paid subscribers driven by omni-channel capabilities & corporate customer acquisition. It witnessed ~₹ 3365 crore of consolidated FCF generation in Q2 (vs. ~₹ 2906 crore in Q1). Airtel continues to root for near term ARPU of ₹ 200 and medium to long term ARPU of ₹ 300, to make decent RoCE. It would drive ARPU growth ahead through natural upgrade to 4G and acceleration to post-paid but tariff hike will be function of competitive intensity. We expect monthly ARPU to reach ₹ 190 in FY22 vs. current levels of ₹ 162, with back ended step up hike in FY22.

### Non-wireless segment gaining traction

The non-wireless segment was also strong with the company adding ~1.29 lakh broadband subs (highest in last 22 quarters). Notably, it aims to reach ~40 subscriber base (vs. 2.6 million currently) in medium term, as per media reports, riding on traction online education, streaming services and work from home needs. It also continues to ramp up its enterprise offerings through new collaborations like Cloud (with AWS), conferencing (through Verizon), along with other existing collaborations and services.

### Valuation & Outlook

Bharti Airtel continues to report resilient numbers, especially on the Indian wireless business front. The major positive read through is strong subscriber addition and ARPU traction that percolated into superior EBITDA (incremental margins of ~70%). We see the favourable industry structure of three players (two being strong), a good enough kicker for eventual hike in tariff as well as superior digital play in the medium to long term. Current valuations underestimate massive possibility of growth in a consolidated market and the resilience shown by Airtel so far. We maintain our **BUY** rating on the stock with a DCF based target price of ₹ 700/share.



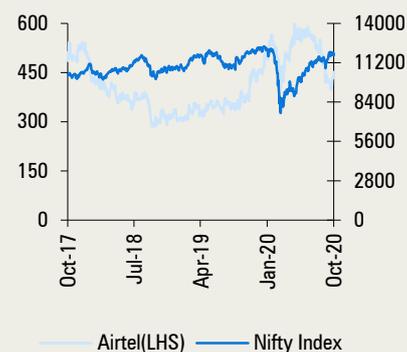
#### Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	2,46,511
Total Debt (₹ Crore)	1,48,228
Cash & Inv (₹ Crore)	29,061
EV (₹ Crore)	3,65,678
52 week H/L	612/ 351
Equity capital	2,727.8
Face value	5.0

#### Key Highlights

- Key highlight was net subscriber addition of ~13.9 million coupled with low monthly churn of 1.7%, ARPU growth of 3.4% QoQ at ₹ 162. Also saw strong 4G Net adds of ~14.4 mn coupled with continued expansion in India wireless margins
- Maintain BUY rating with DCF based target price of ₹ 700/share

#### Price Chart



#### Research Analyst

Bhupendra Tiwary, CFA  
bhupendra.tiwary@icicisecurities.com

#### Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales (₹ crore)	83,688	80,780	87,534	1,04,008	1,19,440	16.8
EBITDA (₹ crore)	30,065	25,630	36,486	47,052	57,766	25.8
Net Profit (₹ crore)	1,099	409	(32,189)	(15,535)	6,240	NA
EPS (₹)	2.7	1.0	NA	(28.5)	11.4	
P/E (x)	164.3	441.1	NA	(15.9)	39.5	
Price / Book (x)	2.6	2.5	3.2	5.4	4.7	
EV/EBITDA (x)	11.5	14.0	10.0	8.2	6.2	
RoCE (%)	5.6	2.1	3.5	7.5	11.3	
RoE (%)	2.7	(3.5)	(4.7)	(0.7)	11.9	

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	25,785.0	24,525.7	21,131.3	23,938.7	22.0	7.7	Revenue beat led by superior Indian wireless revenues driven by strong ARPU and subscriber growth
Employee Expenses	1,100.8	1,167.8	946.4	1,156.6	16.3	-4.8	
Marketing Expenses	2,427.4	2,475.2	2,063.5	2,392.7	17.6	1.5	
Access Charges	2,922.9	2,849.1	2,638.9	2,801.1	10.8	4.3	
Network Operating	5,456.4	5,167.1	4,968.9	5,103.6	9.8	6.9	
License Fee	2,235.5	2,056.4	1,676.4	2,076.8	33.4	7.6	
EBITDA	11,642.0	10,660.1	8,837.2	10,407.9	31.7	11.9	
EBITDA Margin (%)	45.2	43.5	41.8	43.5	333 bps	167 bps	Margin expansion driven by Indian wireless business
Depreciation	7,421.1	7,250.0	6,935.1	7,226.8	7.0	2.7	
Interest	3,760.4	3,452.7	2,908.3	3,456.2	29.3	8.8	
Exceptional Items	49.3	0.0	30,711.0	11,745.7	-99.8	-99.6	
Total Tax	551.7	150.0	-8,503.9	3,817.5	-106.5	-85.5	
PAT	-763.2	-166.6	-23,044.9	-15,933.1	-96.7	-95.2	
Subscribers (Mn)	293.7	282.9	279.4	279.9	5.1	5.0	
ARPU	162	160	128	157	26.7	3.4	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY21E			FY22E		
	Old	New	% Change	Old	New	% Change
Revenue	1,01,169	1,04,008	2.8	112,124	1,19,440	6.5
EBITDA	45,727	47,052	2.9	53,651	57,766	7.7
EBITDA Margin (%)	45.2	45.2	4 bps	47.8	48.4	51 bps
PAT	-13,490	-15,535	NA	6,109	6,240	2.1
EPS (₹)	-24.7	-28.5	NA	11.2	11.4	2.1

Source: Company, ICICI Direct Research

**Exhibit 3: Key Assumptions**

	Current					Earlier	
	FY18	FY19E	FY20	FY21E	FY22E	FY21E	FY22E
<b>India</b>							
Wireless Subs (Mn)	304.2	282.6	283.7	305.6	318.0	294.1	306.4
ARPU	132	113	135	165	190	170	190
Total Minutes (Bn)	1,946	2,811	3,035	3,416	3,610	3,306	3,457
MOU (mins)	561	798	893	966	965	954	960
<b>Africa</b>							
Subscriber base	89.3	98.9	110.6	119.9	127.2	116.0	123.7
ARPU (\$)	3.1	2.9	2.6	2.8	2.8	2.8	2.8
Total Minutes	162.0	207.3	250.1	332.7	408.9	310.1	371.0
MoU	159.5	183.7	199.0	240.6	275.8	227.5	257.4

Source: Company, ICICI Direct Research

## Business Highlights (India)

- **Overall revenues & EBITDA:** Overall Indian revenues at ₹ 18,747 crore, were up 6.6% QoQ, largely driven by wireless businesses. Overall Indian margin was up 156 bps QoQ at 45.8% mainly aided by expansion in wireless business margins
- **Wireless revenues & EBITDA:** Indian wireless revenues at ₹ 13,832 crore, was up 6.6% QoQ largely driven by **healthy net sub addition of ~13.9 million** and ARPU growth of 3.4% QoQ at ₹ 162. **Indian wireless margins were at 40.6%, 42.6%, up 200 bps QoQ, largely a function of operating leverage. We note that incremental wireless EBITDA margins were at robust 70%**
- **Subscriber base and 4G addition:** Overall sub base saw addition of staggering 13.9 mn QoQ at 293.7 mn, not only covering the last quarter decline of 3.9 million (on lockdown effect) but also a reflection strong subscriber market capture. We note that this is the highest organic subscriber addition number over a long time. It witnessed strong 4G net adds of ~14.4 mn during the quarter, with 4G data sub base at 152.7 mn (overall data customers base of 162.2). The company indicated that mobile broadband subscriber addition was a function of both market share gains and 2G to 4G conversion. Smartphones shipments have reached pre-Covid quarterly levels of 45-46 million run rate
- **Minutes and data usage:** Data usage per sub was down 1.5% QoQ to 15.7 GB. Voice usage per customer was up 1.1% QoQ to 1005 mins. Total minutes on network was down 5% QoQ to 860.9 billion (bn) minutes, largely due sharp increase in subscribers
- **Non-wireless:** On India non-wireless front, homes services (broadband) revenues were up 1.5% QoQ at ₹ 587 crore, Airtel business (enterprise) revenues were up 2.3% QoQ at ₹ 3582 crore while DTH reported revenues witnessed growth of 1.3% QoQ at ₹ 755 crore
- **Network capacity and capex:** The company has maintained continued access expansion in the form of sites additions (~5049 sites) and capacity through mobile broadband BTS additions (30249 additions in Q2). The company continues its network upgradation efforts through open virtual ran with 5G ready software coupled with network disintegration into hardware and software. **India mobile capex was at ₹ 4174 crore (vs. ₹ 2558 crore in Q1) with overall India capex of ₹ 5590 crore (vs. ₹ 3442 crore in Q4)**

## Business highlights (Africa)

- Africa revenues were up 12.6% QoQ to US\$963 million (mn) (driven by healthy ARPU growth and subscriber addition), with EBITDA margins of 45.3% (up 130 bps QoQ). **In rupee terms, Africa revenues were up 11.1% QoQ at ₹ 7166 crore, much higher than our estimate of ₹ 6565 crore**
- Subscriber base was up 4.4% QoQ at 116.4 mn with ARPU at US\$2.8 up 8.1% QoQ. Data subs base was up 7.1% QoQ at 39.6 mn while total data usage was up 5.1% QoQ at 279.5 bn MB. Data usage per subscriber was at 2.5 GB per month, down 1.2% QoQ
- In constant currency, Nigeria reported 10.5% QoQ growth in revenues to US\$379 mn while EBITDA margins were up 90 bps QoQ at 54.2%

- In constant currency, East Africa reported 17% QoQ growth to US\$358 mn while EBITDA margins were up 350 bps at 45.8%
- In constant currency, Rest of Africa (Francophone Africa) reported 9% QoQ revenue growth at US\$230 mn while EBITDA margins were at 30.9%, down 410 bps, as there was a \$6 million one-time indirect tax settlement impact that impacted the Francophone underlying EBITDA
- Airtel Money reported 23.5% QoQ revenue growth at US\$100 mn while EBITDA margins were at 48.7%, up 200 bps
- Africa net debt (including lease obligations) was at US\$3.46 bn (up US\$ 34 mn). Capex was ~US\$149 mn
- Operating free cash flow for Q2FY21 was at US\$287 million

## Other highlights

- **5G:** The company indicated that current indicative price of 5G spectrum is expensive and unaffordable. Furthermore, it has no business case while app and devices ecosystem is nascent with rollout is still few years away. Therefore, it is not looking at bidding for 5G spectrum in the near term
- **Digital:** The company has 160 mn digitally engaged users across its digital assets viz *Airtel Thanks*, *Wynk*, *Xstream* and payment platform. On *Wynk*, MAUs were at 59.3 mn with an addition of ~9 mn during the quarter; *Thanks* platform has 81.6 mn MAUs in Q2, with an addition of ~8 mn and *Airtel Xstream* is at 33.7 mn MAUs, addition of ~8 mn users during the quarter. Furthermore, there are over 1.1 million retailers transacting and making payments every day on *Mitra App*. Online recharges continue to contribute ~50% of overall revenues. Airtel has been partnering with several companies and is also doing pilots for several services to develop new streams of revenues and drive efficiencies. The company also alluded to strong partnerships in the work from home area, cyber security services, in IoT and in delivering cloud services through key global players such as Cisco, Zoom, Symantec, Palo Alto Networks, Google, Microsoft, Amazon, etc. The company is also looking to build its own digital products/services.
- **Home broadband demand:** The company indicated that broadband is on the cusp of growth driven by online education, streaming services and Work from Home needs. The company added ~1.29 lakh broadband subs (highest in last 22 quarters) during the quarter with September being the record month. **The company accelerated LCO partnerships in non-wired cities, taking up the LCO partnership model live in 48 cities (29 new cities in Q2).** Outside top 50 cities, they are partnering with LCOs and providing them revenue share for last mile fibre laying and maintenance, in order to ramp up subscriber addition. The home pass addition has been stepped up. They have added 1 million home passes. **They expect ARPU to correct in Q3 as they undertook a price cut in September, following the new player's move**
- **Spectrum holdings:** The company is comfortable with existing spectrum footprints, as they have refarmed 25 MHz of 3G spectrum for 4G. They also seek to fill the gap in the challengers markets of Kerala, UP West, Haryana through sub-giga hertz spectrum. Renewal spectrum is not an issue as the company already has sufficient mid-giga hertz spectrum. They would also look at 2300 MHz capacity spectrum, if possible

- **AGR case:** The Supreme Court, in September, 2020, through its judgement ordered 10% of “total dues” to be paid before March 31, 2021 and remaining in 10 equal instalments. Post ~₹ 18,000 crore (more than 10% of overall dues) deposited, Airtel expects the remaining amount to be paid over time for which no financing is required as cash on the books and liquidity is good. Incremental liability is now restated as debt on the balance sheet
- **Debt & capex:** Total capex spend for the quarter of ₹ 6791 crore vs. ₹ 3795 crore in Q1. Reported net debt (excluding lease liability) was at ~₹ 1.07 crore (up by ~₹ 21,476 crore QoQ), largely due to inclusion of AGR dues of ₹ 23443 crore in debt now. **On a like to like basis, net debt, declined by ~₹ 1967 crore QoQ. The company indicated that while they would continue to invest in networks, they maintain their earlier guidance, which implies capex intensity will go down and FY21 capex will be lower than FY20**
- **Increasing FDI approval to 100%:** The company indicated that approval for increase in FDI limit to 100% has been attained. However, it is still pending at subsidiaries levels. It expects the same to be received in a few weeks to a month maximum
- **Other highlights**
  - **Infratel stake divestment:** The merger has finally been approved. It expects it to be through in the next 10-20 days, post which they would reevaluate the divestment strategy. However, the company feels comfortable on the leverage front and expects it to be a business decision to get true value of assets and not leverage driven
  - It expects its credit ratings to be stable as fundamental operating risk and regulatory overhang has been taken care of. Hence, it is likely to stay in BBB- category while Africa will have an independent rating soon

Exhibit 4: Segmental revenues

₹ crore	FY18	FY19	FY20	FY21E	FY22E
<b>India</b>	<b>70,898</b>	<b>67,256</b>	<b>71,111</b>	<b>83,613</b>	<b>98,072</b>
Mobility	46,264	41,554	45,966	56,710	69,349
Broadband	2,526	2,239	2,245	2,303	2,479
Enterprise	11,322	12,454	13,233	14,465	15,668
Passive Infrastructure	6,628	6,819	6,742	7,067	7,284
Digital + Others	4,158	4,190	2,924	3,069	3,293
<b>Africa</b>	<b>20,156</b>	<b>22,346</b>	<b>24,217</b>	<b>28,302</b>	<b>30,715</b>
<b>South Asia</b>	<b>405</b>	<b>444</b>	<b>455</b>	<b>450</b>	<b>460</b>
<b>Total Gross Revenue</b>	<b>91,459</b>	<b>90,046</b>	<b>95,783</b>	<b>1,12,366</b>	<b>1,29,247</b>
Intersegmental Elimination	-7,572	-7,978	-7,789	-8,135	-9,807
<b>Net Revenue</b>	<b>83,688</b>	<b>81,624</b>	<b>87,539</b>	<b>1,04,011</b>	<b>1,19,440</b>

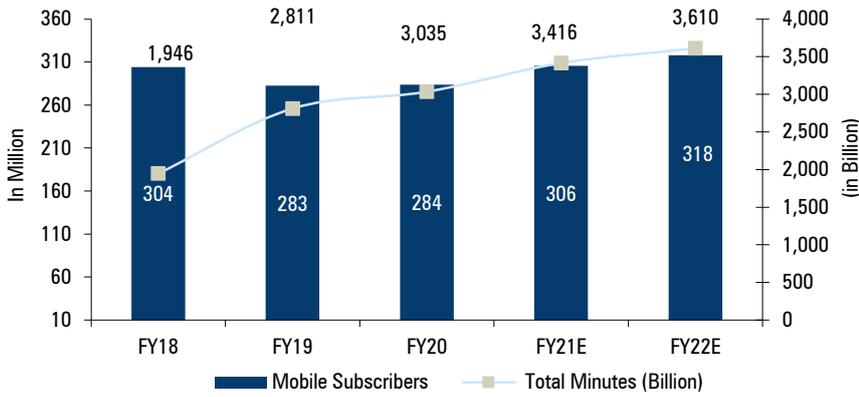
Source: Company, ICICI Direct Research

Exhibit 5: Segmental EBITDA

₹ crore	FY18	FY19	FY20	FY21E	FY22E
<b>India &amp; South Asia</b>	<b>23,798</b>	<b>17,936</b>	<b>26,376</b>	<b>34,757</b>	<b>44,326</b>
<b>Africa</b>	<b>6,653</b>	<b>8,363</b>	<b>10,726</b>	<b>12,913</b>	<b>13,929</b>
<b>Gross EBITDA</b>	<b>30,451</b>	<b>26,300</b>	<b>37,102</b>	<b>47,670</b>	<b>58,255</b>
Intersegmental Elimination	386	670	617	619	489
<b>Reported EBITDA</b>	<b>30065</b>	<b>25630</b>	<b>36486</b>	<b>47052</b>	<b>57766</b>

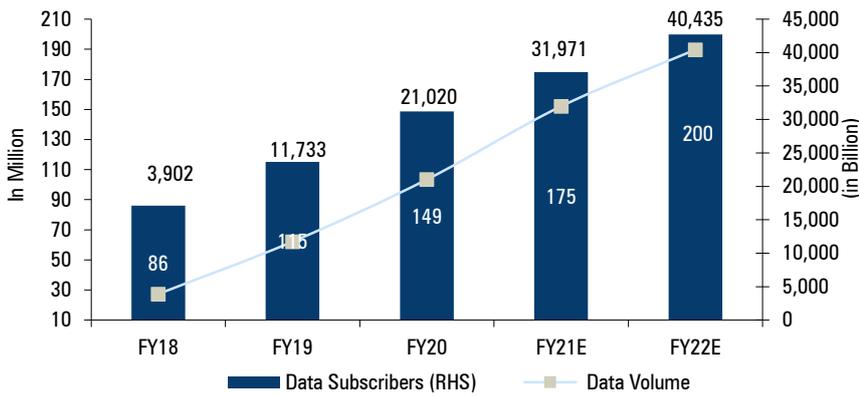
Source: Company, ICICI Direct Research

Exhibit 6: India subscriber details



Source: Company, ICICI Direct Research

Exhibit 7: Data volume and data subs trend



Source: Company, ICICI Direct Research

Exhibit 8: India mobile ARPU trend



Source: Company, ICICI Direct Research

## Financial summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Total operating Income</b>	<b>80,780.2</b>	<b>87,533.7</b>	<b>1,04,007.6</b>	<b>1,19,440.2</b>
Growth (%)	-3.5	8.4	18.8	14.8
Employee Expenses	3,797.5	3,807.2	4,542.7	4,873.4
Marketing Expenses	12,668.5	9,544.7	10,227.8	11,713.5
Access Charges	9,352.1	10,739.5	11,624.4	12,316.4
Network Operating	22,390.0	19,700.6	21,676.1	22,674.3
License Fee	6,942.6	7,256.1	8,884.9	10,096.2
Other Costs	0.0	0.0	0.0	0.0
Total Operating Expenditure	55,150.7	51,048.1	56,955.9	61,673.8
<b>EBITDA</b>	<b>25,629.5</b>	<b>36,485.6</b>	<b>47,051.7</b>	<b>57,766.4</b>
Growth (%)	-14.8	42.4	29.0	22.8
Depreciation	21,347.5	27,689.6	29,954.2	34,159.9
Interest	9,589.4	12,382.0	13,792.0	12,687.0
Other Income	291.2	316.2	929.4	600.0
Exceptional Items	(2,928.8)	40,234.4	11,795.0	-
PBT	-2,087.4	-43,504.2	-7,560.1	11,519.5
MI / Profit from associates	922.4	866.7	2,605.5	2,400.0
Total Tax	-3,419.3	-12,182.3	5,369.2	2,879.9
<b>PAT</b>	<b>409.5</b>	<b>-32,188.6</b>	<b>-15,534.8</b>	<b>6,239.6</b>
Growth (%)	-62.7	NA	NA	NA
<b>EPS (₹)</b>	<b>1.0</b>	<b>-59.0</b>	<b>-28.5</b>	<b>11.4</b>

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	409.5	-32,188.6	-15,534.8	6,239.6
Add: Depreciation	21,347.5	27,689.6	29,954.2	34,159.9
Add: Interest Paid	9,589.4	12,382.0	13,792.0	12,687.0
(Inc)/dec in Current Assets	1,635.6	(26,805.6)	(8,842.2)	(8,283.2)
Inc/(dec) in CL and Prov	3,025.6	43,832.5	8,770.0	27,428.8
Others	0.0	0.0	0.0	0.0
<b>CF from op activities</b>	<b>36,007.6</b>	<b>24,909.9</b>	<b>28,139.2</b>	<b>72,232.1</b>
(Inc)/dec in Investments	2,271.4	-9,833.6	0.0	0.0
(Inc)/dec in Fixed Assets	-34,863.6	-50,761.7	-22,000.0	-22,000.0
Others	-6,084.2	-4,856.4	336.1	-7,915.5
<b>CF from invactivities</b>	<b>-38,676.4</b>	<b>-65,451.7</b>	<b>-21,663.9</b>	<b>-29,915.5</b>
Issue/(Buy back) of Equity	0.0	729.1	0.0	0.0
Inc/(dec) in loan funds	14,094.8	22,799.8	10,100.0	-25,000.0
Dividend paid & dividend tax	0.0	-1,276.6	0.0	0.0
Interest Paid	9,589.4	12,382.0	13,792.0	12,687.0
Others	-17,700.6	13,694.7	-43,126.6	-25,374.1
<b>CF from fin activities</b>	<b>5,983.6</b>	<b>48,329.0</b>	<b>-19,234.6</b>	<b>-37,687.0</b>
Net Cash flow	3,314.8	7,787.2	-12,759.3	4,629.5
Opening Cash	4,788.6	8,103.5	15,890.7	3,131.4
<b>Closing Cash</b>	<b>8,103.5</b>	<b>15,890.7</b>	<b>3,131.4</b>	<b>7,760.9</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Liabilities</b>				
Equity Capital	1,998.7	2,727.8	2,727.8	2,727.8
Reserve and Surplus	69,423.5	74,417.0	43,339.6	49,579.2
Total Shareholders funds	71,422.2	77,144.8	46,067.4	52,307.0
Total Debt	1,25,428.3	1,48,228.1	1,58,328.1	1,33,328.1
Deferred Tax Liability	1,129.7	1,687.7	1,687.7	1,687.7
Others	22,345.3	35,011.9	35,348.0	27,432.5
<b>Total Liabilities</b>	<b>2,20,325.5</b>	<b>2,62,072.5</b>	<b>2,41,431.2</b>	<b>2,14,755.3</b>
<b>Assets</b>				
Gross Block	3,79,841.0	4,30,602.7	4,52,604.7	4,74,604.7
Less: Acc Depreciation	1,69,375.3	1,97,064.9	2,27,019.1	2,61,179.0
Net Block	2,10,465.7	2,33,537.8	2,25,585.6	2,13,425.7
Investments	17,989.4	27,823.0	27,823.0	27,823.0
Inventory	88.4	0.0	0.0	0.0
Debtors	4,300.6	4,605.8	5,472.6	6,284.6
Loans and Advances	13,711.1	21,045.3	25,006.0	28,716.4
Other Current Assets	2,076.9	21,331.5	25,346.1	29,106.9
Cash	8,105.5	15,892.7	3,131.4	7,760.9
Total Current Assets	28,282.5	62,875.3	58,956.1	71,868.9
Creditors	28,003.1	25,019.9	29,920.0	34,359.5
Provisions	219.7	0.0	0.0	0.0
Other Current Liabilities	26,651.2	73,686.6	77,556.5	1,00,545.7
Total Current Liabilities	54,874.0	98,706.5	1,07,476.5	1,34,905.2
Net Current Assets	-26,591.5	-35,831.2	-48,520.3	-63,036.3
Others Assets	18,461.9	36,542.9	36,542.9	36,542.9
<b>Application of Funds</b>	<b>2,20,325.5</b>	<b>2,62,074.5</b>	<b>2,41,431.2</b>	<b>2,14,755.3</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
EPS	1.0	-59.0	-28.5	11.4
Cash EPS	54.4	-8.2	26.4	74.1
BV	178.7	141.4	84.4	95.9
DPS	0.0	2.3	0.0	0.0
Cash Per Share	20.3	29.1	5.7	14.2
<b>Operating Ratios</b>				
EBITDA Margin (%)	31.7	41.7	45.2	48.4
EBIT Margin (%)	5.3	10.0	16.4	19.8
PAT Margin (%)	-3.1	-4.1	-0.3	5.2
Inventory days	0.4	0.0	0.0	0.0
Debtor days	19.4	19.2	19.2	19.2
Creditor days	126.5	104.3	105.0	105.0
<b>Return Ratios (%)</b>				
RoE	-3.5	-4.7	-0.7	11.9
RoCE	2.1	3.5	7.5	11.3
RoIC	2.3	4.5	9.1	15.1
<b>Valuation Ratios (x)</b>				
P/E	441.1	NA	-15.9	39.5
EV / EBITDA	14.0	10.0	8.2	6.2
EV / Net Sales	4.4	4.2	3.7	3.0
Market Cap / Sales	3.1	2.8	2.4	2.1
Price to Book Value	2.5	3.2	5.4	4.7
<b>Solvency Ratios</b>				
Debt/EBITDA	4.9	4.1	3.4	2.3
Debt / Equity	1.8	1.9	3.4	2.5
Current Ratio	0.4	0.5	0.5	0.5
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

**Exhibit 13: ICICI Direct Coverage Universe (Telecom)**

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Bharti Airtel	452	700	Buy	2,46,511	-59.0	-28.5	11.4	NM	NM	39.5	10.0	8.2	6.2	3.5	7.5	11.3	-4.7	-0.7	11.9
Bharti Infratel	186	220	Hold	34,403	17.8	16.4	17.6	10.4	11.4	10.6	5.8	5.6	5.2	18.1	19.7	22.2	24.4	23.4	25.9
Vodafone Idea	9	6	Sell	24,942	-25.7	-14.5	-6.8	NM	NM	NM	9.3	11.3	8.7	-5.7	-4.4	-3.4	NM	NM	NM
Sterlite Tech	151	150	Reduce	5,985	10.8	8.1	11.8	14.0	18.7	12.8	7.4	8.9	6.9	27.8	20.9	15.4	33.0	25.0	16.5
Tata Comm	914	1,055	Buy	26,053	-3.0	38.9	43.7	NM	23.5	20.9	10.7	8.0	7.0	7.8	14.9	16.4	-22.2	-426.5	142.5

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, MBA, CFA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.