July 6, 2022

Muted quarter in terms of subscriber addition…

We expect subscriber addition momentum to remain muted amid sim consolidation due to tariff hike. Reliance Jio (Jio), after last three quarters of Sim consolidation impact, will lead sub addition with ~6 million (mn) net sub additions during Q1. On the other hand, churn at Vodafone Idea (VIL) is likely to stabilise somewhat with subscriber loss of ~3 mn. Bharti Airtel (Airtel) is likely to add ~2 mn subscribers. ARPU growth will be seen for all telcos, led by residual benefit of tariff hike and benefits of one extra day. We expect Jio, Airtel, VIL's reported ARPU to be up 4%, 3%, 2% QoQ at ~₹ 174, ₹ 184, ₹ 126, respectively. For Jio, revenues are expected at ₹ 21582 crore, up 3.3% QoQ. Airtel's India wireless revenue is expected be up 3.8% QoQ at ₹ 18,278 crore. For Vodafone Idea, we expect overall revenues to grow 0.8% QoQ at ₹ 10,319 crore.

Margins to decline marginally for all telcos

Airtel India's EBITDA margins are expected at 50%, down 80 bps QoQ, with higher network opex. Overall consolidated margins are expected at 49.9%, down 100 bps QoQ. We expect PAT at ₹ 2264 crore for Airtel. For Jio, we expect EBITDA margins at 50%, down 30 bps QoQ and net profit of ₹ 4420 crore, up 6% QoQ. For Vodafone Idea, we expect margins at 43.2%, down 220 bps QoQ, as base quarter had some one-off benefits. The company is expected to post a net loss of ₹ 6496 crore.

Muted performance likely from Indus Towers

Indus Tower is likely to report a muted number during the quarter. We bake in tower and net tenancy addition of 900 and 1400, respectively in Q1FY23, with average sharing factor likely to remain stable at 1.81x. We expect rental revenues at ₹ 4372 crore, down 7.8% QoQ as Q4FY22 rental included one-time provision reversal of ~₹ 547.3 crore. Overall margins are expected at 53%, down 410 bps QoQ.

Reopening costs to impact Tata communications margins

For Tata Communications, we expect gradual revenue growth recovery to continue, albeit reopening led travel and admin costs will impact EBITDA. The data revenue is expected to grow 1.5% QoQ (up ~8% YoY) at ₹ 3350 crore. The overall revenue is expected to grow 0.9% QoQ (~5% YoY) at ₹ 4303 crore. Data segment margins are expected at 27.6% (down 170 bps QoQ). Overall margins are expected at 23.3%, down 120 QoQ.

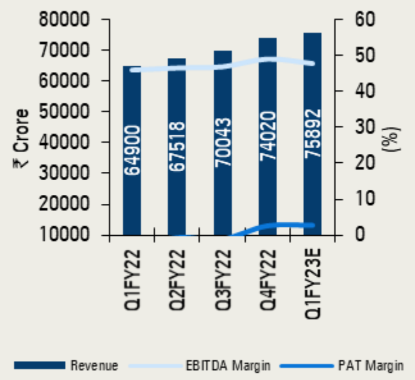
Exhibit 1: Estimates for Q1FY23E: (Telecom) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ
Bharti Airtel	32,739	21.9	3.9	16,343	25.9	1.9	2,264	698.5	12.8
Indus Towers	6,949	2.2	-2.3	3,683	4.7	-9.3	1,510	6.7	-17.4
Vodafone Idea	10,319	12.7	0.8	4,461	20.3	-4.1	-6,496	NA	NA
Jio	21,582	19.9	3.3	10,782	25.1	2.6	4,420	26.2	5.9
Tata Comm	4,303	4.9	0.9	1,004	1.8	-4.0	265	-10.6	-27.5
Total	**75,892**	**16.9**	**2.5**	**36,273**	**21.7**	**-0.1**	**1,962**	**LP**	**8.3**

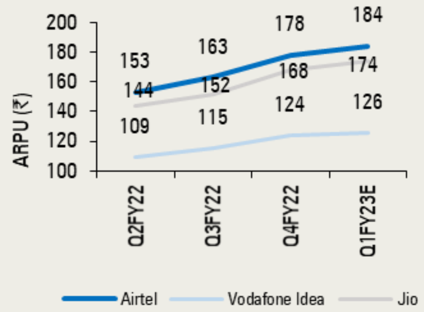
Source: Company, ICICI Direct Research

Result Preview

Topline & Profitability (Coverage Universe)



ARPU trend



Top Pick

Bharti Airtel

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ICICI Securities – Retail Equity Research

Exhibit 2: Company Specific view - Telecom

Company	Remarks
Bharti Airtel	The reported ARPU is likely to be up 3% QoQ at ₹ 184 as some residual tariff hike pass-through will be seen, along with benefit of higher number of days during the quarter. We expect modest addition of 2 mn subs amid tariff hike driven Sim consolidation. Indian wireless revenues are expected to see 3.8% QoQ growth at ₹ 18,278 crore. India non-wireless revenues traction is expected to remain robust especially broadband and enterprise. Africa is likely to witness revenue growth of 4.5% QoQ to ₹ 9602 crore, aided by currency tailwind. Consolidated reported revenues are expected to be up 3.9% QoQ at ₹ 32,739 crore. We expect India EBITDA margins at 50%, down 80 bps QoQ, with higher network opex. Overall consolidated margins are expected at 49.9%, down 100 bps QoQ. We expect PAT at ₹ 2264 crore. **Key monitorable**: Commentary on ARPU trajectory and non-wireless business
Indus Towers	For Indus Towers, we bake in tower and net tenancy addition of 900 and 1400, respectively in Q1FY23, with average sharing factor likely to remain stable at 1.81x. We expect rental revenues at ₹ 4372 crore, down 7.8% QoQ as Q4FY22 rental included one-time provision reversal of ~₹ 547.3 crore. Energy revenues would be up 8.7% QoQ at ₹ 2577 crores, given the higher diesel prices. Overall margins are expected at 53%, down 410 bps QoQ. **Key monitorable**: Future outlook and growth plans
Vodafone Idea	VIL will also witnessed some tariff hike led residual ARPU benefits in Q4FY22. We build in monthly ARPU growth of ~2% QoQ at ₹ 126. We expect churn for Vodafone Idea to continue, albeit in controlled levels with ~3 million customer exits likely in Q1. We expect overall revenues to grow 0.8% QoQ at ₹ 10,319 crore. EBITDA at ₹ 4461 crore, is expected to decline 4% QoQ. Reported margins are expected at 43.2%, down 220 bps QoQ, as base quarter had some one-off benefits. The company is expected to post a net loss of ₹ 6496 crore. **Key monitorable**: ARPU trajectory and capex commentary ahead
Tata Comm	For Tata Communications (TCom), we expect gradual revenue growth recovery to continue, albeit reopening led travel and admin costs will impact EBITDA. The data revenue is expected to grow 1.5% QoQ (up ~8% YoY) at ₹ 3350 crore. The voice revenues would continue to remain weak with ~5% QoQ decline (~13% YoY decline) at ₹ 509 crore. The overall revenue is expected to grow 0.9% QoQ (~5% YoY) at ₹ 4303 crore. Data segment margins are expected at 27.6% (down 170 bps QoQ). Overall margins are expected at 23.3%, down 120 QoQ. **Key monitorable**: Growth outlook commentary
Jio	Reliance Jio (Jio), after last three quarter of Sim consolidation impact, will lead sub addition with ~6 mn net sub additions during Q1. The monthly ARPU, like peers, will witness growth, driven by residual benefits of tariff hike and higher no. of days, at ~4% QoQ at ₹ 174. The overall revenues are expected at ₹ 21582 crore, up 3.3% QoQ. EBITDA at ₹ 10,782 crore, is likely to grow 2.6% QoQ. Overall EBITDA margins are expected at at 50%, down 30 bps QoQ and net profit at ₹ 4420 crore, up 6% QoQ. **Key monitorable**: Commentary on ARPU trajectory, Jio Fiber

Source: Company, ICICI Direct Research

Exhibit 3: Telecom Coverage Universe

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Bharti Airtel	692	860	Buy	4,07,047	8.1	25.2	35.7	85.2	27.5	19.4	9.7	7.6	6.2	9.1	13.4	16.3	4.3	17.5	19.9
Indus Towers	211	205	Hold	56,808	23.6	20.6	21.4	8.9	10.2	9.8	4.7	4.8	4.6	23.3	21.1	22.3	28.1	24.4	25.2
Vodafone Idea	8	UR	UR	26,980	-8.8	-5.2	-3.7	NM	NM	NM	13.4	10.8	8.3	-5.0	-3.8	0.9	NM	NM	NM
Tata Comm	959	1,250	Buy	27,322	52.0	48.0	62.5	18.4	20.0	15.3	8.1	7.8	6.6	26.5	25.5	31.8	159.3	85.2	67.0

Source: Company, ICICI Direct Research, Reuters

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