

May 13, 2013

Bharti Airtel Ltd

BSE Code: 532454 NSE Code: BHARTIARTL Reuters Code: BRTI.NS Bloomberg Code: BHARTI:IN

Bharti Airtel Limited (BHARTIARTL) is a provider of telecommunication services. The Company also offers an integrated suite of telecom solutions to its enterprise customers. It also offers Digital television and Internet protocol television (IPTV) services in India. It operates in three primary business segments: Mobile Services, Telemedia Services and Airtel Business. The Company's mobile services cover voice and data telecom services provided through global system for mobile Communications (GSM) technology in India.

Investor's Rationale

Bottom-line declined 49.4% YoY on diminishing performance from India & South Asia and Africa segment - The profit decline in mobile services in India & South Asia segment by 13.5% YoY to ₹18.5 bn and Mobile Services Africa 34.2% YoY to ₹336 crore has impacted the consolidated net profit. Thus, the net profit during Q4FY'13 fell 49.4% YoY to ₹5.1 bn. The bottom line was also impacted by the decline in EBITDA Margin. Besides, depreciation, interest and tax cost plummeted by 14.8%, 14.4% and 13% YoY to ₹3,983 crore, 1,210 crore and 788 crore respectively. Thus, NPM contracted 288 bps YoY to 2.5% as against 5.4%.

Phenomenal vertical performance pushed the sales growth by 9.2% YoY - The company's net sales grew by 9.2% YoY to ₹204.5 bn on the back of robust growth from overall segmental performance. The mobile services in India and South Asia swelled 7.4% YoY to ₹112.9 bn. Further, the revenue growth from mobile Service Africa rose 12.6% YoY to ₹60.7 bn and tower infrastructure services grew 12.4% YoY to ₹27.2 bn.

EBITDA margin weakened by 156bps YoY on higher operating expense - The company's EBITDA rose 4.1% YoY to ₹64.9 bn, while, OPM contracted by 156bps to 31.7% against 33.3% driven by the rise (as a % of sales) in network operating expense, employee expenses and access & interconnection charges by 348bps, 100bps and 77bps to 24%, 5.3% and 13.4% respectively.

Entered into an agreement to acquire Warid Telecom Uganda - In a bid to cater superior customer care, wider network, affordable voice and data services, BHARTIARTL has entered into a definitive agreement with the Warid Group to fully acquire Warid Telecom Uganda. With this, the company will further consolidate its position as the second largest mobile operator in Uganda with a combined customer base of over 7.4 million and market share of over 39%.

Market Data

Rating	REDUCE
CMP (₹)	325.1
Target Price	285
Stop Loss	345
Duration	Short-term
52-week High-Low (₹)	370.4/238.5
Rise from 52WL (%)	363
Correction from 52WH (%)	12.2
Beta	0.9
1 year Average Volume (mn)	5.2
Stock Return (%)	3M- 1.0 6M- 17.7 1Y- 3.8
Market Cap (₹bn)	1,234.6
Book Value (₹)	143.6

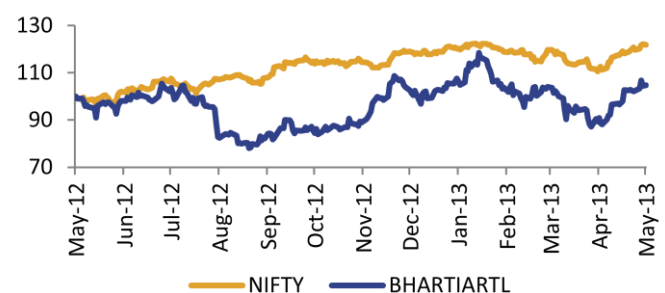
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	68.55	68.5	0.05
FII (%)	17.24	17.28	(0.04)
DII (%)	8.59	8.18	0.41
Public & Others (%)	5.62	6.04	(0.42)

Quarterly Performance (Consolidated)

(₹bn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	204.5	187.3	202.4	9.2	1.0
Op. exp	139.7	125.1	140.7	11.7	(0.7)
EBITDA	64.9	62.3	61.8	4.1	4.9
OPM (%)	31.7	33.3	30.5	(156bps)	117bps
Net profit	5.1	10.1	284	(49.4)	255
NPM (%)	2.5	5.4	1.4	(288bps)	109bps
EPS (₹)	1.3	2.7	0.7	(49.4)	79.4

One Year Price Chart





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