

Pick of the week



BHARTI AIRTEL LTD

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 555

Target Price

₹ 710

Potential Upside

27.9%

Investment Argument

- Bharti remains a solid play on one of the two mutually exclusive events likely to play out in the Indian wireless industry, 1) market stays a 3-player one or 2) market consolidates further.
- 1QFY21 Overall revenues of Rs23,938 cr (+0.9% qoq, +15.4% yoy) were in line with our estimate. EBITDA stood at Rs10,407 cr, (+2% qoq), 0.6% ahead of our estimate.
- India Revenues came in at Rs12,877 cr, -0.6% qoq, +19% yoy, 0.7% above our estimate. Implied (Average Revenue Per User) ARPU stood at Rs152/sub/month (flat qoq).
- Management said that the current tariffs are still at low levels. They have guided for ARPUs to move to Rs. 200 in the short term and Rs. 300 in the medium term. Bharti is looking to develop new streams of revenues and drive efficiencies through its digital platform. It has built content offerings through partnerships.
- Bharti has set up a dedicated team to look at cost rationalization measures amid the Covid-led disruption. Adoption of digital channels has also helped reduce commission costs.
- We expect the company to generate free cash flows of Rs.29,561 cr in the next three years. We reiterate BUY with a fair value of Rs710, valuing on sum of the parts (SOTP) basis.