

Bharti Airtel Ltd

Investment Thoughts

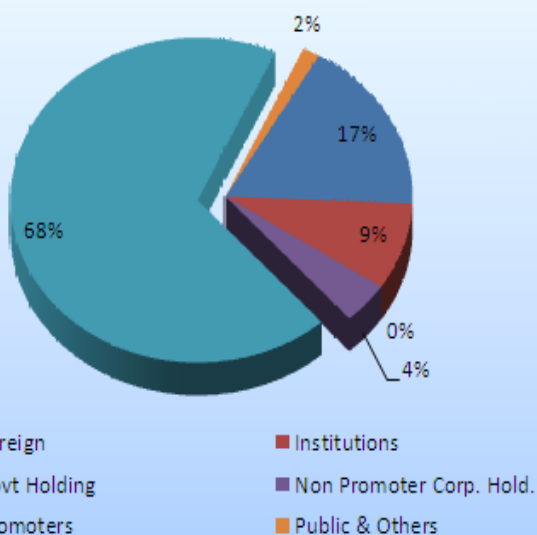
Recommendation : Buy

CMP : 345

Target: 452

BSE Code	532454
NSE Code	BHARTIARTL
Market Cap (Rs Cr)	152451.44
52 week High/Low (Rs)	444.70/304.25
Lat. Face Value	5
Lat. EPS (Rs)	16.92
Lat. Book Value (Rs)	115.42
Lat. P/E Ratio	20.53

Share Holding Pattern



Investment Arguments:

- Bharti Airtel is one of the world's leading telecommunication service provider by having their presence in 19 countries including India, South Asia and Africa.
- The company operates in four strategic business units, namely Mobile, Telemedia, Enterprise and Digital TV. The Telemedia business provides broadband, IPTV and telephone services in 95 Indian cities. The Digital TV business provides Direct-to-Home TV services across India.
- As on September 30, 2011, the company had an aggregate of 237 million customers, consisting of 227 million mobile users (India & Asia has 178.6 million and Africa has 48.4 million), 3.3 million Telemedia of which 1.4 million or 42.42% subscribed to broadband / internet services and 6.6 million Digital TV customers .
- India has over 173 million mobile customers. In India as on September 30, 2011, Airtel is the largest wireless operator both in terms of customers and revenues.
- The company's recent tariff increase in India has began to take effect, balancing some of the inflationary and other cost increases impacting the entire industry.
- During Q2FY12, Bharti Airtel recorded revenues of Rs 17276.4 crore. African revenues crossed \$ 1 billion per quarter for the first time (Q1 FY12 is \$ 979 million and Q4 FY11 is \$ 924 million). Non-voice revenue contribution increased to 16.2% of the total revenues.

View and Valuation:

Bharti Airtel has a strong cash reserves, leading market share and diversified business model will give it a strategic advantage over peers.

At CMP of Rs.345, the stock is trading at 14 times its FY13E EPS of Rs.24.61 which making it an attractive long-term investment opportunity. Also recent increase in tariff could rise their FY12 profits significantly. Investors are recommended to buy the stock for the target of Rs 452.

Year End	FY13E	FY12E	FY11	FY10	FY09	FY08
Sales	45819.1	41608.3	38015.8	35609.5	34014.2	25703.5
PAT	9347.46	8891.18	7716.9	9426.2	7743.8	6244.1
Book Value (Rs)	136.44	121.29	115.42	96.24	145.62	106.63
EPS (Rs.)	24.61	23.41	20.16	24.65	40.45	32.9
P/E Ratio	14.02	14.74	17.73	12.65	15.47	25.11
Dividend (%)	NA	NA	20	20	20	0
Rate of Growth (%)						
Sales	10.12	9.45	6.76	4.69	32.33	43.98
PAT	5.12	15.23	-18.13	21.73	24.02	54.82

Financial Performance

Year End	201103	201003	200903	200803	200703
Equity	1898.8	1898.8	1898.24	1897.91	1895.93
Networth	44109.5	36735.1	27641.83	20239.36	11411.13
Enterprise Value	147525.05	122666.85	124253.91	162852.92	149223.16
Capital Employed	56007	41774	35355.48	26809.7	16721.94
Gross Block	61435.4	44210.4	37264.57	28113.52	26507.8
Sales	38015.8	35609.5	34014.29	25703.51	17851.6
Other Income	323	377.3	525.14	359.91	148.49
PBIDT	13260.4	13925.2	13516.19	10746.88	7265.45
PBDT	12919.5	14493.2	11367.81	10139.12	6954.67
PBIT	9066.7	10131.3	10309.91	7580.3	4912.15
PBT	8725.8	10699.3	8161.53	6972.54	4601.37
RPAT	7716.9	9426.2	7743.84	6244.19	4033.23
APAT	7620.22	9295.44	7531.38	6195.81	4002.04
CP	11910.6	13220.1	10950.12	9410.77	6386.53
Book Value (Rs)	115.42	96.24	145.62	106.63	60.19
EPS (Rs.)	20.16	24.65	40.45	32.9	21.27
Dividend (%)	20	20	20	0	0
Payout (%)	4.96	4.06	4.94	0	0
Rate of Growth (%)					
Net Worth	20.07	32.9	36.57	77.37	55.65
Sales	6.76	4.69	32.33	43.98	58.94
PAT	-18.13	21.73	24.02	54.82	100.45
M Cap	14.62	-0.29	-24.23	8.36	85.06

Latest Quarterly Result

Period-Ended	201109	201009	Var (%)
Sales	10164.5	9299.9	9.3
Other Income	13	19.9	-34.67
PBIDT	3333.8	3322.6	0.34
PBDT	2739.2	3402	-19.48
PBIT	2177.8	2318.7	-6.08
PBT	1583.2	2398.1	-33.98
RPAT	1307.5	2100.3	-37.75
EPAT	0	0	NA
APAT	1307.5	2100.3	-37.75
CP	2463.5	3104.2	-20.64

Key Financial Ratios

Year End	201103	201003	200903	200803	200703	200603	200503	200403
Key Ratios								
Debt-Equity Ratio	0.21	0.2	0.3	0.38	0.54	0.83	0.6	0.07
Long Term Debt-Equity Ratio	0.17	0.18	0.28	0.35	0.5	0.76	0.5	0.03
Current Ratio	0.7	0.7	0.61	0.49	0.46	0.46	1.1	17.3
Turnover Ratios								
Fixed Assets	0.72	0.87	1.04	0.94	0.8	0.72	1.19	0
Inventory	1234.28	797.08	571.62	474.19	509.03	447.74	500.51	0
Debtors	16.97	15.3	12.77	11.06	12.1	12.54	22.08	0
Interest Cover Ratio	26.6	-17.84	4.8	12.47	15.81	10.65	5.93	0.39
PBIDTM (%)	34.88	39.11	39.74	41.81	40.7	36.23	36.7	0
PBITM (%)	23.85	28.45	30.31	29.49	27.52	22.46	23.8	0
PBDTM (%)	33.98	40.7	33.42	39.45	38.96	34.13	32.69	0
CPM (%)	31.33	37.13	32.19	36.61	35.78	31.69	28.22	0
APATM (%)	20.3	26.47	22.77	24.29	22.59	17.91	15.32	0
ROCE (%)	18.54	26.27	33.17	34.83	34.07	22.55	23.96	0.16
RONW (%)	19.09	29.28	32.35	39.46	43.04	31.82	23.88	-0.27

Key Valuation Ratios

Year End	201103	201003	200903	200803	200703	200603	200503	200403
Price Earning (P/E)	17.73	12.65	15.47	25.11	35.88	38.87	31.68	0
Price to Book Value (P/BV)	3.1	3.24	4.3	7.75	12.68	10.67	8.46	5.94
Price/Cash EPS (P/CEPS)	11.46	9	10.91	16.66	22.66	21.97	17.19	6759.99
EV/EBIDTA	11.13	8.81	9.19	15.15	20.54	20.32	14.81	0
Market Cap/Sales	3.57	3.33	3.49	6.1	8.11	6.96	4.85	0

Disclaimer

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