Bharti Airtel

In 3QFY13 revenue of Bharti's result was in line with street expectation with revenue grew by 10% YoY to Rs.20240 cr as against expectation of Rs.20228 cr. During quarter, the company reported muted operating performance, consequently margin performance were below of street expectation. While significance increase in forex exchange loss and higher than expected tax rate led significant lower of profit, much below of street expectation.

But the company continues to improve in its operating metrics with a 2.8% QoQ increase in the voice traffic while the average revenue per user (ARPU) was up by 4.5% QoQ to Rs185. The average revenue per minute (ARPM) remained stable at 42.5 paise whereas the minutes of usage (MOU) were up by 4.3% QoQ. The total subscriber base stood at 181.92 million as against 185.9 million in Q2FY2013. Also, there was a marked improvement in the subscriber churn, which was down by 260 basis points QoQ to 5.9%.

During quarter, the Company incurred an operating expenditure of Rs 94, 75.7 cr representing 46.8% of the total revenues. The operating expense comprises of: Rs 48,46 cr towards network operations cost (23.9% of total revenues), Rs 33,94.8 cr towards selling, general & administrative cost (16.8% of total revenues), Rs 10,21.1 cr towards employee costs (5.0% of total revenues) and Rs 2,13.7 cr towards cost of goods sold (1.1% of total revenues).

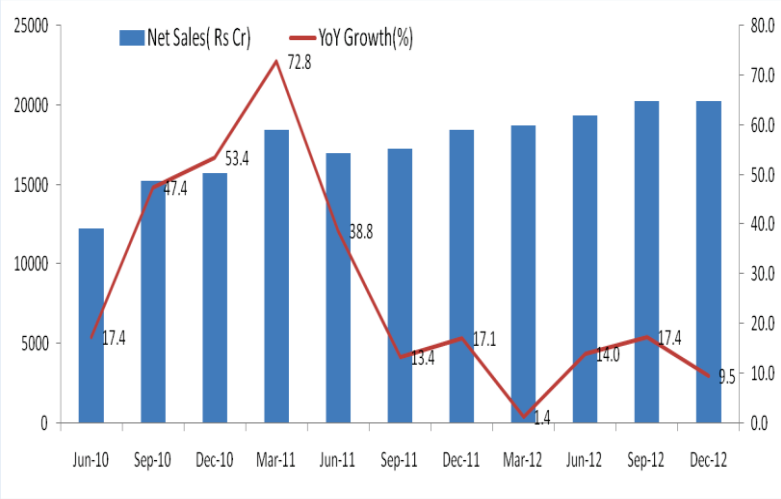
In absolute term EBITDA increased by 4% YoY to Rs. 6184 Cr. The company reported EBITDA margin of 30.6% versus 32.2% in previous quarter as against expectation of Rs.6262 cr.

Higher depreciation and interest rate led net profit declined at 72% YoY to Rs.284 cr as against expectation of 696 cr. The company reported depreciation cost of Rs.3901 cr up by 9% YoY indicated continue investment in network and interest cost of Rs.1332 cr up by 69% YoY. During the quarter, the interest on borrowings & finance charges was Rs 11, 57.3 cr, derivatives & exchange fluctuation loss of Rs 2, 47.5 cr and the investment income (primarily related to income on marketable securities) was Rs 73 cr.

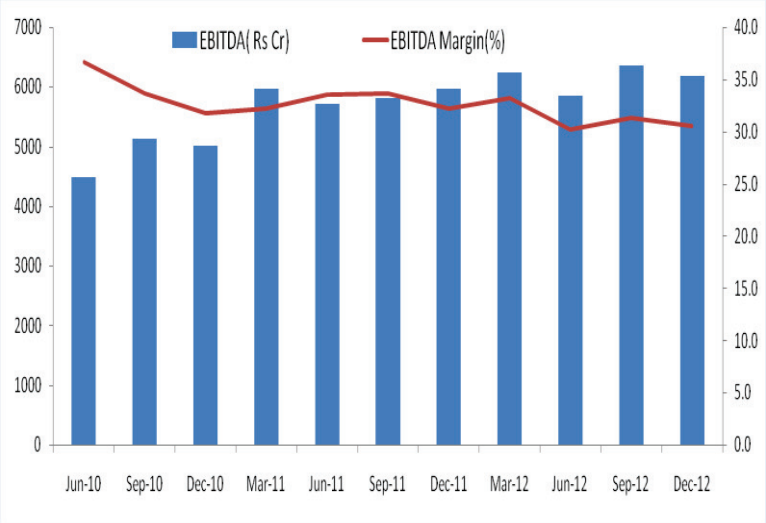
The Africa business grew by 3.37% QoQ to $1,133 million and 3.44% on a constant currency basis. The EBITDA margin for the Africa business was lower than expectation at 26.4% as against 27.2% in Q2FY2013. For the quarter, the voice traffic increased by 10.7% QoQ and the ARPU decreased by 3.1% to $6.2 as against $6.4 in Q2FY2013.

The revenues of the India and Asia business grew by 3.1% QoQ to Rs14,267.2 cr of Rs586.1 cr from a favorable TDSAT order). Apart from the mobile business (which grew by 3.9% QoQ), the digital TV service business and the passive infrastructure segment exhibited a decent growth in top line of 8.7% and 3.1% respectively on a sequential basis.

At the price of Rs.329, stock is trading at 6.7 times of EV/EBITDA multiple. On the back of higher debt, interest cost and forex risk led us restricted to value at 7 times of EV/EVITDA multiple which provides target price of Rs.345. We have neutral view on the stock.



Source: Company/Eastwind



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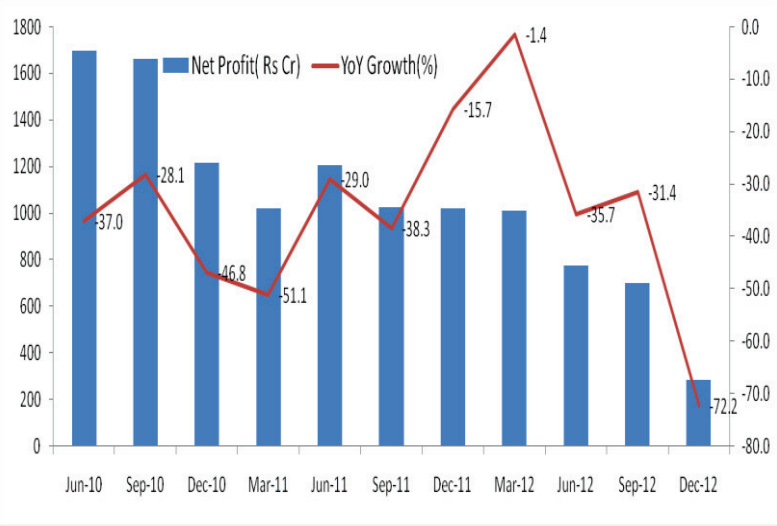

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