

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

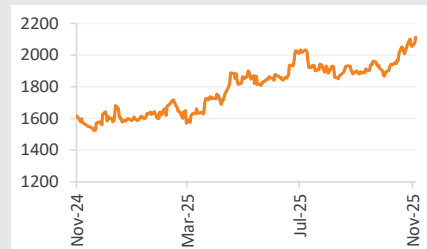
Company details

Market cap:	Rs. 12,76,775 cr
52-week high/low:	Rs. 2,136/1,511
NSE volume: (No of shares)	68.6 lakh
BSE code:	532454
NSE code:	BHARTIARTL
Free float: (No of shares)	303.1 cr

Shareholding (%)

Promoters	50.3
FII	27.4
DII	19.4
Others	2.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	9.5	13.7	12.8	30.7
Relative to Sensex	7.7	9.2	8.9	25.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Bharti Airtel Ltd

Strong margins and steady momentum

Telecom	Sharekhan code: BHARTIARTL		
Reco/View: Buy	↔	CMP: Rs. 2,095	Price Target: Rs. 2,370 ↑

Summary

- Q2FY26 consolidated revenue stood at Rs. 52,154 crore, up 25.7% y-o-y (up 5.4% q-o-q), led by strong traction in India and Africa operations.
- EBITDA rose 35.3% y-o-y and 6.2% q-o-q to Rs. 29,561 crore, excluding other income, with EBITDA Margins improving 401 bps y-o-y (up 41 bps q-o-q).
- India business ARPU stood at Rs. 256 as of Q2FY26, from Rs. 233 a year ago, supported by an additional billing day, continued customer upgrades, and higher data monetisation.
- We maintain a Buy rating with a revised PT of Rs. 2,370. At CMP, the stock is trading at 23.6x PE and 8.1x EV/EBITDA on FY28E.

Q2FY26 consolidated revenue stood at Rs. 52,154 crore, up 25.7% y-o-y (up 5.4% q-o-q), led by strong traction in India and Africa operations. Africa accounts for 26.0% of the revenue, India mobile at 54.0%, India non-mobile at 13.0%, and Indus at 7.0%. India business posted revenue of Rs. 38,690 crore, up 22.6% y-o-y (up 2.9% q-o-q), driven by continued premiumization in mobiles segment, sustained momentum in homes segment and improved performance of Airtel Business. India Mobile services segment reported a revenue of Rs. 28,117 crore up 13.2%, driven by improvement in ARPU and growth in smartphone data customers acquisitions. EBITDA at Rs. 23,204 crore, up 34.2% y-o-y with EBITDA margin at 60.0%.

Key positives

- ARPU increased to Rs. 256 in Q2FY26 from Rs. 233 in Q2FY25 (Rs. 250 in Q1FY26), supported by an additional billing day, continued customer upgrades, and higher data monetisation, despite the absence of tariff revisions. Management indicated further headroom for ARPU expansion through potential tariff rationalization and tiered pricing initiatives.
- Customer base stands at 449.7 million, adding 43.2 million customers y-o-y and 13.6 million customers sequentially.
- EBITDA margin rose q-o-q to 56.7%, up 41 bps (up 401 bps y-o-y).
- Mobile data consumption up 26.6% y-o-y with average monthly consumption per customer increased to 28.3 GB.

Key negatives

- Airtel Business revenue stood at Rs. 5,276 crore, down 6.7% y-o-y.
- Digital TV services remained muted y-o-y (-0.7%) posting a revenue of Rs. 753 crore.

Management Commentary

- Company expanded its 5G user base to 167 million users, with 5G sites now handling over 40.0% of total network traffic.
- In the mobile segment, Bharti Airtel added 1.4 million revenue-generating customers and 5.1 million new smartphone data users during the quarter.
- Postpaid additions stood at approximately 1 million, contributing 68.0% of total net customer additions, reflecting continued premiumization of its subscriber base.
- The board has approved an enabling resolution to acquire up to an additional 5% stake in Indus Towers, viewing the tower company as a strategic, dividend-yielding, and currently undervalued infrastructure asset aligned with its long-term network strategy.
- Capex stood at Rs. 11,362 crore with India business at Rs. 9,643 crore, driven by accelerated site deployment and coverage expansion. During the quarter, the company added close to 2,500 new towers and 20,841 mobile broadband base stations.

Revision in earnings estimates – We have revised our earnings estimates to factor in Q2FY26 performance.

Our Call

Q2FY26 numbers were strong, driven by robust growth across its India and Africa operations. The company's strategy of focusing on high-quality subscribers, steady ARPU improvement, and scaling up the home broadband and digital segments continues to yield results. India mobile ARPU improved to Rs. 256, led by higher 4G/5G adoption and migration to postpaid plans. The home broadband segment saw strong traction with the subscriber base rising 39.0% y-o-y to 11.9 million, aided by rapid expansion of fiber and FWA services. We maintain a Buy rating with a revised PT of Rs. 2,370. At CMP, the stock is trading at 23.6x PE and 8.1x EV/EBITDA on FY28E, reflecting steady ARPU expansion, improving mix of high-value customers, consistent free cash flow generation, and prudent capital allocation.

Key Risks

Intensifying competition could keep up the pressure on realisations. Continued decline in data volume growth could affect revenue growth. Any slowdown in Africa operations could affect its revenue growth.

Valuation (Consolidated)

	Rs cr			
Particulars	FY25	FY26E	FY27E	FY28E
Revenue	1,72,985	2,11,613	2,40,858	2,72,364
EBITDA (%)	53.9%	56.0%	57.0%	57.7%
Adjusted PAT	29,631	29,019	43,245	53,967
y-o-y Growth (%)	-	-2.1%	49.0%	24.8%
Adjusted EPS	48.6	47.6	71.0	88.6
P/E (x)	35.6x	44.0x	29.5x	23.6x
EV/EBITDA (x)	13.4x	12.4x	10.7x	8.1x
RoE (%)	6.2%	5.4%	7.5%	9.3%
RoCE (%)	15.2%	18.8%	21.6%	24.9%

Source: Company; Mirae Asset Sharekhan estimates

Key Result Highlights:

Bharti Airtel – AGR Dues Reassessment Update

Bharti Airtel plans to engage with the Indian government to reassess its adjusted gross revenue (AGR) dues after a Supreme Court ruling permitting such reconciliations. The DoT estimates Airtel's dues at Rs. 44,000 crore versus the company's Rs. 13,000 crore estimate; Airtel has already paid Rs. 18,000 crore. The disputed Rs. 31,000 crore remains a key contingent liability. Management aims to align with Vodafone Idea's reassessment framework and seek relief measures such as interest waivers or equity conversion. A favourable outcome could ease leverage and support valuation, while affirmation of the higher DoT figure would pressure cash flows and limit growth investments.

Strategic capex shift to data center via Nxtra Data & stake increase in Indus Towers

Bharti Airtel plans to invest about Rs. 1,500 crore in its data-centre arm, Nxtra, to expand land holdings, enhance capacity, and execute a major data-centre project in Visakhapatnam in partnership with Google LLC. Nxtra currently commands an estimated 10-12% share of India's data-centre market, and Airtel aims to scale this further through accelerated capital deployment. The Google collaboration includes data-centre construction via Nxtra, terrestrial network connectivity, and a cable landing station managed by Airtel.

Concurrently, Airtel has received enabling board authorisation to acquire up to an additional 5.0% stake in Indus Towers, citing the tower business as a "strategic asset" which is undervalued in comparison to global peers, dividend-paying and fits its broader infrastructure strategy. The management clarified that Nxtra (datacentres) and Indus (passive tower infrastructure) are distinct business lines; there is no intention to merge the two.

Africa Business: Revenue stood at Rs. 13,680 crore, 34.6% y-o-y (up 13.2% q-o-q). In constant currency, revenue was up 24.2% y-o-y (+7.1% q-o-q). Capex for the quarter stood at Rs. 1,719 crore while EBITDA Margin (in CC terms) came in at 43.8%, up 238 bps y-o-y. Customer base at 173.8 million, up 17.2 million y-o-y.

Net Debt to EBITDA: Consolidated net debt to EBITDA ratio (annualized) improved to 1.63x from 2.5x a year earlier, underscoring continued deleveraging. Excluding lease obligations, the Net Debt to EBITDAaL ratio stood at 1.19x, reflecting a strengthened balance sheet and disciplined capital management.

Margin Profile: The consolidated EBITDA margin improved to 57.4%, up 150 bps y-o-y. EBITDAaL Margin: 51.0% (up 420 bps y-o-y), indicating improved cost optimization. EBIT Margin: 32.0% (up 510 bps y-o-y), highlighting strong incremental profitability.

- ♦ **India EBITDA Margin:** It expanded to 60%, up 190 bps y-o-y, supported by continued premiumization in mobile services and ARPU uplift to Rs. 256. Home broadband segment's strong performance with 30.2% y-o-y revenue growth. Operating efficiencies in Airtel Business and digital initiatives under Xtelify.
- ♦ **EBIT Margin:** Stood at 31.5%, reflecting superior operating leverage as the company scales its high-margin segments such as postpaid, FTTH, and enterprise connectivity.
- ♦ **Africa Business Margins:** EBITDA Margin at 48.8% (constant currency), up 238 bps y-o-y, driven by pricing discipline, improved cost structures, and steady mobile money growth. EBIT Margin at 32.3%, up 190 bps y-o-y, showing sustained profitability despite macro volatility and currency headwinds in certain markets.

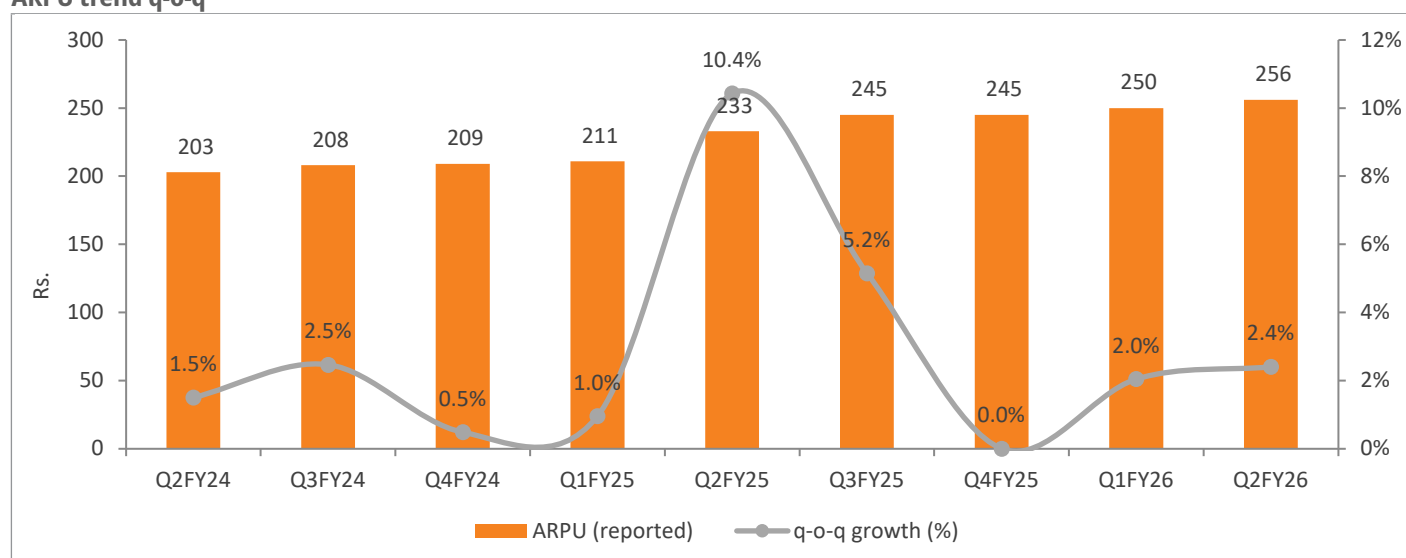
Home services: The home connectivity market is projected to double to 100 million households over the next five to six years, presenting a sizable growth runway. Bharti Airtel is aggressively expanding its footprint, with FTTH deployments scaling to approximately 2.5 million homes per quarter and the FWA subscriber base surpassing 2.3 million across 3,000 cities. IPTV-led convergence continues to gain momentum, with bundled service adoption at around 60%. Capital expenditure remained elevated during the quarter, reflecting concurrent investments in FTTH and FWA network expansion.

Results (Consolidated)

Particulars	Rs cr				
	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	QoQ (%)
Net Sales	52,145	41,473	25.7	49,463	5.4
Network operating expenses	10,118	8,012	26.3	9,546	6.0
Access Charges	1,322	1,821	-27.4	1,257	5.1
License Fees	3,825	3,466	10.4	3,720	2.8
Employee Benefits	1,857	1,497	24.1	1,738	6.9
Sales and marketing expenses	3,182	2,882	10.4	2,966	7.3
Other Expenses	2,280	1,950	17.0	2,397	-4.9
EBITDA	29,561	21,846	35.3	27,839	6.2
Depreciation	13,182	11,000	19.8	12,465	5.8
EBIT	16,379	10,846	51.0	15,374	6.5
Finance Costs	4,866	5,424	-10.3	5,461	-10.9
Other Income	728	255	185.7	509	43.0
PBT	12,241	5,677	115.6	10,422	17.5
Tax Expense	3,672	1,744	110.5	3,083	19.1
Share of Associates	-81	-1,074	-92.5	-83	-2.2
Exceptional Items	-		854	-100.0	-
PAT before MI	8,651	4,153	108.3	7,422	16.6
Minority Interest	1,859	560	231.9	1,474	26.1
PAT after MI	6,792	3,593	89.0	5,948	14.2
Adjusted PAT	6,792	4,447	52.7	5,948	14.2
EPS	11.1	5.9	89.0	9.8	14.2
Adjusted EPS	11.1	7.3	52.7	9.8	14.2
Margins					
EBITDA Margin (%)	56.7%	52.7%	401	56.3%	41
PAT Margin (%)	13.0%	10.7%	230	12.0%	100

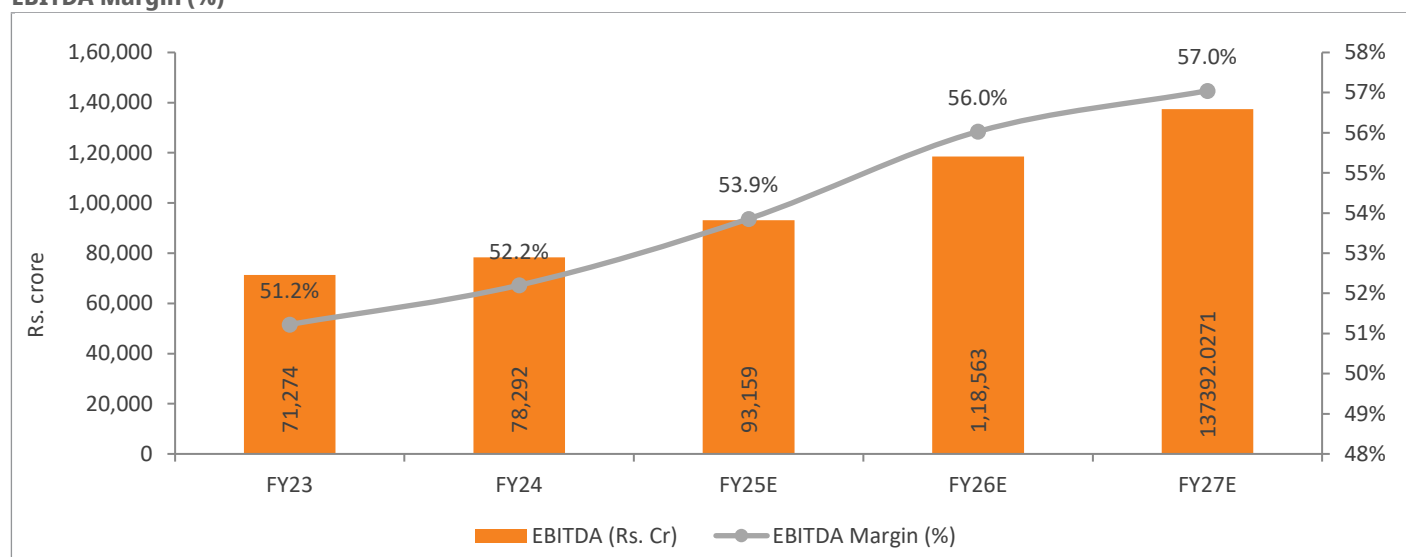
Source: Company; Mirae Asset Sharekhan Research

ARPU trend q-o-q



Source: Company; Mirae Asset Sharekhan Research

EBITDA Margin (%)



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Large addressable market

After extensive consolidation, the structure of the telecom industry has changed from more than eight players to three private and one government operator now. The momentum has now shifted towards data. As smartphones are becoming more affordable, the uptake of data services is increasing. India has become the second-largest telecommunications market and has the second-highest number of internet users in the world. We believe that higher bundling with home entertainment, partnerships with content providers, and increasing data consumption due to work-for-home and online education could be major growth drivers going ahead.

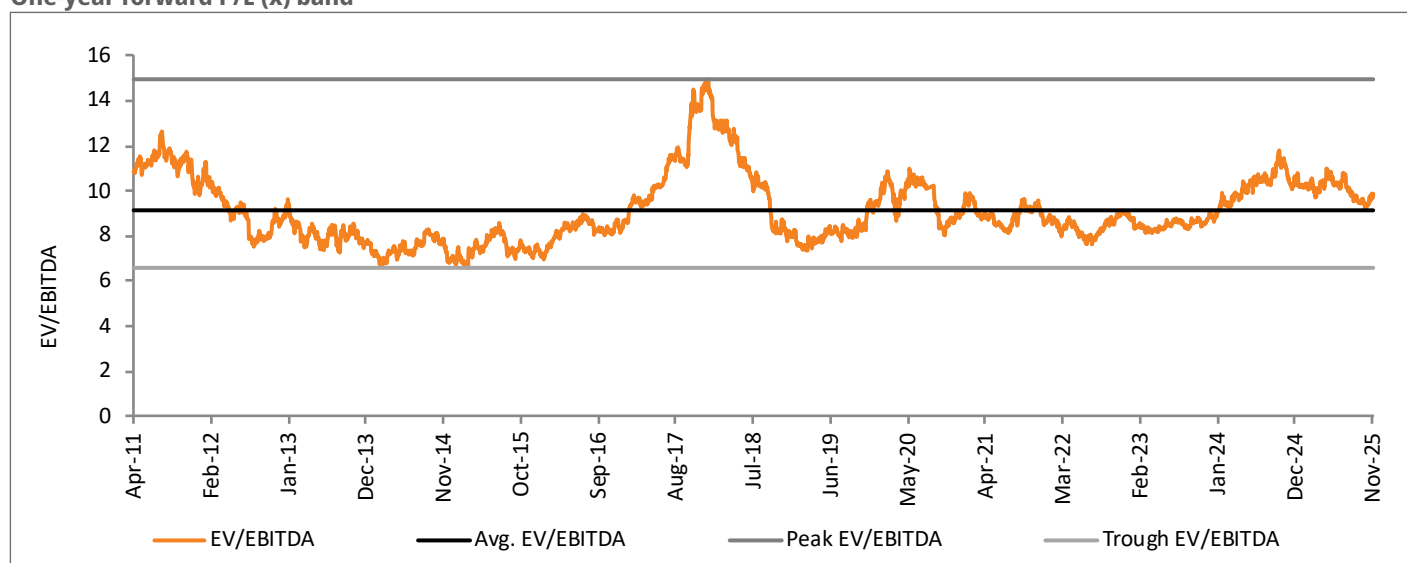
■ Company Outlook – Strong margins and steady momentum

Bharti Airtel will be able to withstand competition in the wireless business, we believe the company's capex will be allocated towards the non-wireless business and differentiated digital capabilities to drive its growth going ahead. Further, FCF is set to improve going ahead with the recent tariff increase and better cost management. Higher digitisation would enable the company to increase monetisation of digital assets and value-added services, a reduced churn rate across verticals, and improved wallet share from subscribers. With improving cash flow generation and adequate investments in digital offerings and networks, Bharti Airtel is well-placed to grow in its core business and gain market share across its portfolio going ahead.

■ Valuation – Maintain Buy with revised PT of Rs. 2,370

Q2FY26 numbers were strong, driven by robust growth across its India and Africa operations. The company's strategy of focusing on high-quality subscribers, steady ARPU improvement, and scaling up the home broadband and digital segments continues to yield results. India mobile ARPU improved to Rs. 256, led by higher 4G/5G adoption and migration to postpaid plans. The home broadband segment saw strong traction with the subscriber base rising 39.0% y-o-y to 11.9 million, aided by rapid expansion of fiber and FWA services. We maintain a Buy rating with a revised PT of Rs. 2,370. At CMP, the stock is trading at 23.6x PE and 8.1x EV/EBITDA on FY28E, reflecting steady ARPU expansion, improving mix of high-value customers, consistent free cash flow generation, and prudent capital allocation.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Established in 1995, Bharti Airtel is one of the leaders in the Indian mobile telephony space with operations in 18 countries across Asia and Africa. The company ranks among the top three mobile service providers globally in terms of subscribers. Bharti Airtel is a diversified telecom service provider offering wireless, mobile commerce, fixed line, home broadband, enterprise, and DTH services. The company expanded into Africa in 2010 and is present in 14 African markets.

Investment theme

India business ARPU stood at Rs. 256 as of Q2FY26, from Rs. 233 a year ago, supported by an additional billing day, continued customer upgrades, and higher data monetisation. Further, the government's data localisation policies with increasing penetration of smartphones are likely to boost strong demand for data over the medium-to-long term. Despite a predatory pricing strategy from new entrants since its commercial launch in September 2016, Airtel has been resilient in sustaining its revenue market share (RMS) as it has been drastically standardising its plans to retain customers and acquire subscribers through M&A activities. We believe the company is well poised to deliver a strong multi-year EBITDA growth phase, given recent developments in the Indian wireless industry and market repairs (tariff hike and relief from the government).

Key Risks

- ♦ 1) Increasing competition could pressurise realisations and 2) Slower growth in data volumes could affect data revenue growth.

Additional Data

Key management personnel

Name	Designation
Sunil Mittal	Chairman
Gopal Vittal	MD and CEO (India and South Asia)
Soumen Ray	Chief Financial Officer
Pankaj Tewari	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Bharti Telecom Ltd	40.73
2	Pastel Ltd	7.93
3	LIC	3.85
4	SBI Funds Management Ltd	2.40
5	Capital Group Cos Inc	2.18
6	Vanguard Group	2.06
7	Blackrock Inc	1.85
8	ICICI Prudential Asset Management	1.81
9	NPS Trust A/C UTI Retirement Solut.	1.48
10	FMR LLC	1.35

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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