


# Top Sector Ideas: Telecom

Stock	Reco.	TP/CMP*	Recommendation Rationale
 <b>Bharti Airtel Ltd.</b>	<b>BUY</b>	<b>Rs 1,660 (CMP Rs 1,069)</b>	<ul style="list-style-type: none"> <li>✓ <b>Strong Demand for Data and Broadband Services:</b> The company's digital portfolio continues to gain momentum, along with market share gains. It has maintained a strong share of 4G/5G net additions, with the 4G customer base expanding by 6.7 Mn QoQ and 29.7 Mn YoY, now comprising 73% of the overall customer base. The company's ARPU remains the highest in the industry, and average data usage per customer is healthy at 23.7 GB/month. Management is optimistic about long-term demand growth, supported by its robust digital services portfolio, improved rural 4G conversion, and effective cash flow management.</li> <li>✓ <b>Broad-Based Vertical Growth:</b> In Q1FY25, Bharti Airtel Ltd. (Bharti) reported revenue of Rs 38,506 Cr, representing a 2.4% QoQ and 2.9% YoY increase, though slightly below expectations due to the devaluation of Nigeria's Naira and other currencies. The company achieved a healthy operating profit of Rs 19,708 Cr, driven by higher 4G conversions and an improved service mix. Operating margins declined marginally by 30bps to 51.2%. Net profit for Q1FY25 was Rs 4,718 Cr, reflecting a 128% QoQ improvement.</li> <li>✓ <b>Investment Recommendation:</b> We maintain our BUY rating on the stock, given the company's superior margins, stronger subscriber growth, and higher 4G conversions. <b>The stock is valued at Rs 1,660/share based on SOTP valuation, with a target price indicating a robust 55% upside from the CMP.</b></li> </ul>

•Note: Target Price is based on our Q1FY25 Result Update Report  
 •CMP as on 19<sup>th</sup> August 2024