



Bharti Airtel Ltd

TP: 2195 | Upside: 11% | BUY

Telecommunication

23rd Feb, 2026

Market Cap - ₹ 11,27,534 Cr.	Current Price - ₹ 1,977	High / Low - ₹ 2,175 / 1,560	Dividend Yield - 0.61 %
EPS - ₹ 53.3	Promoter holding – 48.9 %	ROE - 23.2 %	ROCE - 13.5 %

Key Sensitivities & External Factors

- **AI & Cybersecurity Expansion**
 - In February 2026, Airtel partnered with Zscaler to launch an AI and Cyber Threat Research Center. This initiative strengthens Airtel's enterprise solutions portfolio and positions the company as a secure digital infrastructure and cybersecurity provider rather than just a telecom operator.
- **RBI Approval for NBFC Unit**
 - A subsidiary of Airtel received a Type II Non-Deposit NBFC certificate from the Reserve Bank of India. This approval enables the company to expand into structured financial services and potentially strengthen its fintech ecosystem.
- **Industry & Competitive Landscape**
 - The telecom sector continues to operate as a quasi-duopoly, primarily between Airtel and Reliance Jio. While Airtel leads in ARPU and maintains a premium subscriber mix, Reliance Jio commands a larger overall subscriber base and retains the ability to compete aggressively on pricing.
- **Regulatory & Sector Developments**
 - The sector remains sensitive to regulatory developments, including AGR liabilities, infrastructure access policies at new airports, and ongoing discussions around net neutrality. Any adverse regulatory changes could have a swift impact on valuations.
- **5G Capex & Monetization**
 - Airtel continues to invest heavily in its 5G rollout. The pace of monetization, enterprise 5G adoption, growth in Fixed Wireless Access, and the sustainability of ARPU uplift from premium plans will be critical determinants of future profitability.
- **Technical Position**
 - Despite recent price weakness, the stock has managed to hold above its 200-day moving average support level. This suggests that the longer-term trend remains intact unless this key technical level is breached.



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Industry Overview

➤ Global Telecom Industry

Market Structure

The global telecom industry operates as an oligopolistic market in most countries, where a limited number of large operators dominate due to extremely high entry barriers created by spectrum licensing requirements, infrastructure intensity, and regulatory approvals. The business is capital intensive, requiring continuous investment in spectrum acquisition, fiber networks, towers, and next-generation technologies. Additionally, telecom operators function under strict regulatory oversight, as governments treat telecommunications as critical national infrastructure. Major global players such as AT&T, Verizon Communications, and China Mobile illustrate how scale, spectrum depth, and bundled service offerings drive competitive advantage.

Key Global Trends

❑ 5G Expansion and Monetization

Globally, 5G rollout has moved beyond initial deployment phases and is now centered on monetization strategies. While consumer willingness to pay a significant premium for 5G remains limited, telecom operators are increasingly focusing on enterprise applications such as private networks, smart manufacturing, logistics automation, IoT ecosystems, and Fixed Wireless Access solutions. The success of 5G monetization depends on enterprise digital transformation rather than purely retail subscriber upgrades.

❑ ARPU Stabilization and Pricing Discipline

In developed markets, ARPU growth has largely stabilized, supported by bundled offerings that combine mobile, broadband, streaming, and security services. Operators are prioritizing customer retention and premium segmentation over aggressive subscriber acquisition. In emerging markets, ARPU growth is driven by rising smartphone penetration, digital payments adoption, and gradual tariff rationalization after years of price competition.

❑ Enterprise Digital Transformation

Telecom operators globally are transitioning from pure connectivity providers to integrated digital service platforms. This includes expansion into cloud infrastructure partnerships, cybersecurity services, AI-enabled network optimization, and edge computing solutions. The objective is to diversify revenue streams, reduce dependence on commoditized voice and data services, and increase margins through higher-value enterprise offerings.




❑ Balance Sheet and Capex Pressures

The telecom sector globally continues to face elevated debt levels due to spectrum auctions and multi-year infrastructure investments. Continuous capex requirements for 5G densification, fiberization, and network modernization constrain free cash flow generation. As a result, operators are increasingly pursuing infrastructure sharing agreements, asset monetization strategies, and tower carve-outs to improve return on capital employed.

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➤ Indian Telecom Industry

India represents one of the largest telecom markets globally in terms of subscribers and mobile data consumption. The market combines high growth potential with structural financial stress due to historically low tariffs and regulatory liabilities.

Market Structure: Consolidated Quasi-Duopoly

The Indian telecom sector has undergone significant consolidation over the past decade, resulting in a quasi-duopoly primarily between Reliance Jio and Bharti Airtel, with Vodafone Idea operating as a financially weaker third player. Intense price wars initiated during the 4G disruption phase eliminated several smaller competitors, fundamentally reshaping industry structure. The current market dynamics reflect improved pricing discipline, though competitive intensity remains significant.

Growth Drivers in India

❑ Rising Data Consumption

India has one of the highest per capita mobile data consumption levels globally, driven by affordable data tariffs, widespread smartphone penetration, and rapid digital adoption across rural and urban regions. Increased usage of OTT platforms, digital payments, online education, and social media continues to structurally boost network traffic and data monetization potential.

❑ Aggressive 5G Rollout

India's 5G rollout has been among the fastest globally in terms of geographic coverage expansion. However, monetization remains in early stages, with operators relying on premium plan migration rather than separate 5G pricing. Long-term value realization will depend on enterprise use cases, fixed wireless broadband substitution, and industrial digitalization initiatives.

❑ ARPU Recovery Cycle

After years of hyper-competitive pricing that suppressed profitability, the Indian telecom industry is undergoing a tariff repair cycle aimed at restoring sustainable return metrics. ARPU growth has become the central profitability lever, particularly for premium operators. Sustained tariff hikes are essential to support ongoing capital expenditure and deleverage balance sheets.

❑ Regulatory Sensitivity

The Indian telecom industry is highly sensitive to regulatory decisions, including spectrum pricing policies, adjusted gross revenue (AGR) liabilities, and government directives on infrastructure access. Policy clarity plays a critical role in investor confidence, as unexpected regulatory burdens can significantly impact cash flows and valuation multiples.

❑ Industry Challenges in India

The sector faces structurally high spectrum acquisition costs and continuous capex requirements for 5G and fiber expansion. Competitive pricing pressure, particularly from large-scale operators with deep financial backing, remains a constant strategic risk. Additionally, regulatory uncertainties and legacy dues continue to constrain financial flexibility across the industry.

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Business Overview

Bharti Airtel is one of India's largest telecommunications service providers and operates across India, Africa, and South Asia. The company provides mobile services, broadband, digital TV, enterprise connectivity, data center services, and digital solutions. It has evolved from a traditional voice-focused telecom operator into an integrated digital communications and technology platform.

Airtel operates through multiple subsidiaries and business verticals, with a strong presence in both consumer and enterprise segments. It is widely regarded as a premium telecom brand in India, leading in ARPU among major operators.

Business Model

Airtel follows a subscription-based recurring revenue model, supplemented by enterprise contracts and digital service monetization.

A. Connectivity-Centric Foundation

The foundation of Airtel's model is providing wireless and wireline connectivity services. Customers pay recurring monthly tariffs for voice, data, and bundled services. Scale and network quality create operating leverage, meaning incremental subscribers significantly improve margins once fixed infrastructure costs are covered.

B. ARPU-Led Profitability Strategy

Unlike a pure volume strategy, Airtel focuses on premium customer acquisition and ARPU expansion. Rather than competing aggressively on lowest pricing, it emphasizes high-value subscribers, data monetization, and bundled offerings to enhance revenue per user.

C. Enterprise & B2B Diversification

Airtel Business provides connectivity, cloud, cybersecurity, IoT, and data center services to enterprises. This segment improves revenue stability and margin profile because enterprise contracts are longer-term and less price sensitive compared to retail consumers.

D. Geographic Diversification

Through its Africa operations, Airtel diversifies revenue streams across emerging markets, reducing dependence on a single geography. This provides growth optionality but also introduces currency and political risks.

E. Partnership-Led Ecosystem

Airtel leverages strategic partnerships (cloud providers, cybersecurity firms, fintech collaborations) to enhance service offerings without fully owning all infrastructure layers, improving capital efficiency.

Revenue Streams

Airtel generates revenue from multiple verticals:

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A. Mobile Services (Largest Revenue Contributor)

This includes prepaid and postpaid mobile services, which form the bulk of consolidated revenue.

Revenue drivers include:

- Monthly subscription tariffs
- Data consumption growth 4G/5G upgrades
- International roaming charges

ARPU growth is the key profitability metric in this segment.

B. Homes (Broadband & Digital TV)

Airtel provides fiber broadband under Airtel Xstream Fiber and Direct-to-Home (DTH) services.

Revenue comes from:

- Monthly broadband subscription fees
- Premium OTT bundles
- Set-top box services

Fiber expansion supports long-term high-margin recurring revenue.

C. Airtel Business (Enterprise Segment)

This segment includes:

- Corporate connectivity
- Cloud services
- Data center operations
- Cybersecurity solutions
- IoT and M2M services

Enterprise revenue is relatively stable and margin-accretive compared to retail mobility.

D. Africa Operations

Airtel Africa contributes significantly to consolidated revenues and EBITDA.

Revenue streams include:

- Mobile voice and data
- Mobile money services
- Cross-border remittances

Mobile money is particularly important in African markets, driving financial inclusion and non-telecom revenue diversification.

E. Digital & Financial Services


Through subsidiaries and partnerships, Airtel participates in:




- Payments bank services
- Financial distribution
- Digital content aggregation

These streams are smaller compared to mobility but provide strategic growth optionality.

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Cost Structure

Airtel's major cost components include:

- Spectrum acquisition payments
- Network operating expenses
- Tower and infrastructure rentals
- Employee costs
- Marketing and subscriber acquisition costs
- Interest costs due to debt financing



High fixed costs create strong operating leverage once subscriber base scales.

Key Value Drivers

- **ARPU Expansion** – Tariff hikes and premiumization directly improve margins.
- **Subscriber Quality** – High-value postpaid and data-heavy users increase profitability.
- **5G Monetization** – Enterprise solutions and FWA adoption.
- **Enterprise Growth** – Higher-margin B2B revenue.
- **Capex Efficiency** – Better return on invested capital.
- **Regulatory Stability** – Predictable spectrum and AGR policies.

Competitive Positioning

Compared to Reliance Jio, Airtel positions itself as a premium network operator with stronger ARPU and enterprise depth, while Jio focuses on scale and ecosystem integration. Airtel's strategy prioritizes profitability over pure subscriber volume expansion.

Peer Comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1	Bharti Airtel	1977.4	36.8	1127534	0.81	8502.8	-18.76	53981.6	19.62	13.48
2	Vodafone Idea	11.16	-2.61	120910.8	0	-5286	3.72	11323	1.85	-1.93
3	Bharti Hexacom	1688.1	47.89	84405	0.59	473.7	48.68	2359.8	4.85	17.44
4	Tata Comm	1686.7	41.98	48070.95	1.48	364.23	55.38	6188.97	6.74	14.79
5	Tata Tele. Mah.	42.91	-5.64	8388.59	0	-150.43	53.55	294.31	-11.56	50.32
6	M T N L	30.24	-57.6	1905.12	0	-896.94	-7.28	197.52	-24.39	-6.76

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Company Financials

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	2,096	2,400	2,692
EBITDA	1,188	1,385	1,560
Adj. PAT	272	390	505
EBITDA Margin (%)	56.7	57.7	58
Adj. EPS (INR)	44.9	63.9	82.8
EPS Gr. (%)	48	42	30
BV/Sh. (INR)	263	302	355
Ratios			
Net D:E	1.1	0.5	0.1
RoE (%)	20.9	24.7	27.5
RoCE (%)	14.8	18.2	21.2
Div. Payout (%)	60.8	53.2	54.4
Valuations			
EV/EBITDA (x)	11.6	9.6	8.1
P/E (x)	45.3	31.6	24.4
P/BV (x)	7.7	6.7	5.7
Div. Yield (%)	1.3	1.7	2.2

Consolidated - Quarterly earnings Summary

(INRb)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	385	415	451	479	495	521	540	540	1,730	2,096	536	0.6
YoY Change (%)	2.8	12.0	19.1	27.3	28.5	25.7	19.6	12.9	15.3	21.2		
Total Expenditure	188	196	205	209	216	226	232	234	798	908	231	0.4
EBITDA	197	218	246	270	278	296	308	306	932	1,188	305	0.9
YoY Change (%)	0.6	12.0	24.1	39.5	41.3	35.3	25.2	13.4	19.0	27.5		
Depreciation	105	110	117	123	125	132	134	133	456	524	131	2.5
Net Finance cost	52	54	57	55	55	49	56	43	218	202	44	26.6
Other Income and JV share	13	13	21	5	6	8	8	8	53	30	7	18.9
PBT before EO expense	53	68	93	97	105	123	126	138	311	492	137	-8.2
Extra-Ord expense	-7	9	-75	1	0	0	3	0	-73	3	0	
PBT	60	59	169	96	105	123	123	138	384	490	137	-10.1
Tax	13	17	8	-29	31	37	38	41	9	147	34	10.8
Rate (%)	21.7	29.6	4.5	-30.2	29.3	29.8	30.9	29.6	2.4	29.9		
Minority Interest	6	6	14	15	15	19	19	21	39	73	17	
Reported PAT	42	36	148	110	59	68	66	77	336	271	85	-22.3
Adj PAT	29	39	55	52	59	68	69	77	176	273	85	-19.0
YoY Change (%)	0.8	32.2	121.3	76.9	103.3	73.6	25.5	47.1	55.4	55.6		

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Segmental results

	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26E	vs est
Segmental revenue (INR b)							
India (incl. Indus)	364	387	392	7.8	1.4	393	(0.1)
Wireless	263	281	287	9.1	1.9	285	0.5
Homes	15.1	18.6	20.0	32.6	7.3	20.2	(0.7)
DTH	7.6	7.5	7.6	(0.7)	0.3	7.4	1.7
Airtel Business	56	53	54	(5.2)	1.5	55	(2.3)
Passive infra	75	82	81	7.9	(0.5)	83	(1.8)
Africa	107	137	150	40.2	9.7	146	2.8
Consolidated	469	521	540	15.2	3.5	536	0.6
Eliminations	(56)	(57)	(59)			(60)	
Segmental EBITDA (INR b)							
India (incl. Indus)	240	232	237	(1.5)	2.0	235	0.7
Wireless	155	170	173	12.1	2.2	172	0.8
Homes	7.5	9.3	10.0	34.4	7.5	10.1	(0.6)
DTH	4.4	3.7	3.5	(21.4)	(5.1)	3.6	(2.9)
Airtel Business	20	22	22	13.1	2.3	23	(1.3)
Passive infra	71	47	46	(34.9)	(1.8)	46	0.4
Africa	50	67	75	48.5	11.2	72	3.8
Consolidated	291	296	308	5.9	4.1	305	0.9
Eliminations	(17)	(23)	(22)			(21)	
Segmental EBITDA margin (%)							
India (incl. Indus)	66.0	60.0	60.4	(564.6)	38.5	59.9	46.2
Wireless	58.8	60.3	60.5	164.3	19.5	60.3	19.9
Homes	49.5	50.1	50.1	67.2	7.1	50.1	4.3
DTH	58.2	48.6	46.0	(1,212.9)	(259.2)	48.2	(217.0)
Airtel Business	35.2	41.6	41.9	678.0	34.1	41.5	39.8
Passive infra	93.8	57.3	56.6	(3,723.4)	(75.3)	55.3	124.5
Africa	47.0	49.1	49.8	276.2	66.4	49.3	48.1
Consolidated	62.0	56.7	57.0	(495.9)	33.4	56.9	11.8
Segmental capex (INR b)							
India (incl. Indus)	80	96	92	15.9	(4.1)	101	(8.1)
Wireless	44	43	44	1.2	3.1	46	(4.9)
Homes	11.4	18.6	16.1	40.8	(13.7)	17.9	(10.2)
DTH	4.6	3.1	3.3	(28.9)	7.3	3.0	8.0
Airtel Business	9	8	8	(16.4)	(0.8)	14	(44.5)
Passive infra	12	26	20		(22.9)	20	1.3
Africa	12	17	25	114.8	47.6	21	21.0
Consolidated	92	114	118	28.7	3.7	122	(3.1)

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Key performance indicators

	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26E	vs est
Operating metrics							
India wireless							
Wireless ARPU	245	256	259	5.4	1.1	258	0.4
EoP reported subs (m)	356.6	364.2	368.5	3.4	1.2	367.7	0.2
Net adds (m)	4.9	1.4	4.4			3.5	
EoP prepaid subs	331.3	336.7	340.4	2.7	1.1	339.4	0.3
EoP post-paid subs	25.3	27.5	28.1	11.4	2.3	28.3	(0.5)
EoP data subs (m)	277.6	289.4	294.1	5.9	1.6	295	(0.28)
Data net adds (m)	6.4	4.7	4.7			5.5	
Data subs proportion (%)	77.8	79.5	79.8	196 bp	33 bp	80.2	(41)bp
EoP 4G subs (m)	270.2	285.8	291.0	7.7	1.8	292	(0.28)
4G net adds (m)	6.5	5.1	5.2			6.0	
Data volume (b MBs)	20,659	25,033	26,681	29.2	6.6	25,823	3.3
Data usage per data sub (GB/month)	24.5	28.3	29.8	21.5	5.0	28.8	3.5
Average data realization (INR/GB)	12.9	11.4	10.9	(15.6)	(4.4)	11.2	(2.8)
Voice usage on network (b mins)	1,233	1,249	1,266	2.6	1.3	1,283	(1.3)
Minute of usage per sub (min/month)	1,160	1,145	1,152	(0.7)	0.6	1,168	(1.4)
Network towers ('000)	334.8	342.3	343.5	2.6	0.3	345.3	(0.5)
MBB sites ('000)	1,100.0	1,154.8	1,171.1	6.5	1.4	1,162.3	0.8
Revenue per tower (INR/month)	2,61,698	2,72,510	2,76,281	5.6	1.4	2,74,281	0.7
Homes							
Cities covered (#)	1,427	1,551	1,591	11.5	2.6		
Reported ARPU (INR/month)	554	534	529	(4.6)	(1.0)	532	(0.6)
Calculated ARPU (INR/month)	566	543	533	(5.8)	(1.7)	540	(1.3)
EoP reported subs (m)	9.2	11.9	13.1	41.8	9.7	12.9	1.1
Net adds ('000)	674	951	1,159			1,022	
DTH							
ARPU (INR/month)	160	163	163	2.4	0.1	161	1.5
EoP active DTH subs (m)	15.8	15.4	15.4	(2.5)	0.5	15.3	1.1
Net adds ('000)	28.6	(341.1)	73.4			(100.0)	
Airtel Business							
M2M subs (m)	30.1	56.3	67.0	122.4	18.9		
Net adds ('000)	1,655	11,657	10,626				
Airtel Africa							
Reported ARPU (USD)	2.4	2.6	2.7	10.8	2.7	3.1	(14.9)
EoP subscriber base (m)	163.1	173.8	179.4	10.0	3.2	176.8	1.5
Net adds (m)	7.7	7.8	5.6			3.0	
EoP data subscriber base (m)	71.4	78.1	81.8	14.6	4.7		
Net adds (m)	5.4	2.5	3.7				
Data subs proportion (%)	43.8	45.0	45.6	183 bp	66 bp		
EoP mobile money subs base (m)	44.3	49.8	52.0	17.3	4.5		
Net adds (m)	2.9	3.9	2.2				

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Consolidated - Balance Sheet

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	27	28	28	29	29	30	30	30
Total Reserves	562	638	747	791	1,108	1,438	1,659	1,952
Net Worth	590	666	776	820	1,137	1,468	1,689	1,982
Minority Interest	223	254	289	235	398	471	558	657
Total Loans	1,628	1,697	2,260	2,156	2,136	1,857	1,653	1,445
Lease liabilities	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	-222	-217	-205	-201	-181	-122	-41	62
Capital Employed	2,218	2,399	3,119	3,010	3,491	3,674	3,860	4,147
Net Fixed Assets	2,292	2,500	3,268	3,202	3,995	3,975	3,915	3,816
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Total Investments	329	367	392	410	53	107	111	115
Curr. Assets, Loans&Adv.	617	552	596	626	822	1,072	1,416	1,881
Inventory	0	0	3	4	5	5	5	5
Account Receivables	36	41	40	49	75	86	92	96
Cash and Bank Balance	81	61	72	69	167	414	739	1,187
Loans and Advances	500	450	482	505	576	567	580	592
Curr. Liability & Prov.	1,020	1,020	1,137	1,228	1,379	1,480	1,582	1,665
Account Payables	1,020	1,020	849	911	792	862	937	996
Provisions	0	0	288	317	587	618	644	669
Net Current Assets	-403	-468	-541	-602	-557	-408	-166	216
Appl. of Funds	2,218	2,399	3,119	3,010	3,491	3,674	3,860	4,147

➤ Financial Interpretation

- Revenue grew 15% YoY to ₹540bn, led by 9% growth in India wireless and 40% surge in Africa.
- EBITDA rose 6% YoY, with strong margin gains India wireless EBITDA up 12%, Africa EBITDA up 48%.
- India wireless ARPU improved to ₹259; subscriber base grew to 368.5 million, supported by higher data usage.
- Homes segment saw subscriber growth but slight ARPU decline; DTH stable.
- Africa showed solid subscriber and ARPU growth, boosting margins and profitability.
- Capex rose 29% YoY due to 5G investments but remains supported by strong revenue growth.

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Key Strengths

Industry-Leading ARPU and Premium Positioning

Bharti Airtel maintains one of the highest ARPUs in the Indian telecom sector, reflecting its focus on premium subscribers rather than aggressive low-pricing strategies. This premium positioning improves margin quality, enhances customer stickiness, and supports sustainable profitability compared to volume-driven competitors.

Strong Brand Equity and Market Leadership

Airtel has built a strong and trusted brand over decades, associated with network reliability and service quality. Its brand positioning allows it to command pricing power during tariff hikes and attract higher-value customers across both prepaid and postpaid segments.

Diversified Revenue Streams

Unlike operators dependent solely on mobility, Airtel generates revenue from multiple verticals including mobile services, fiber broadband, DTH, enterprise connectivity, data centers, and Africa operations. This diversification reduces dependence on a single segment and provides resilience against cyclical or competitive pressures in any one business line.

Strong Enterprise (B2B) Portfolio

Airtel Business has emerged as a high-margin and stable revenue contributor. The company provides connectivity, cloud, cybersecurity, IoT, and data center services to enterprises. Enterprise contracts are typically long-term and less price sensitive, which improves revenue visibility and profitability stability.

Geographic Diversification (India + Africa)

Through its African operations, Airtel has a diversified international presence across emerging markets. This reduces geographic concentration risk and provides exposure to high-growth regions where mobile penetration and digital financial services are still expanding.

Operational Scale and Network Infrastructure

Airtel operates one of the largest telecom networks in India, with extensive spectrum holdings and nationwide coverage. High scale creates strong operating leverage, meaning incremental subscribers and ARPU growth significantly enhance EBITDA margins once fixed costs are covered.

Strong Spectrum Portfolio

The company has strategically acquired spectrum across multiple bands, enabling efficient 4G and 5G deployment. A robust spectrum portfolio ensures better network quality, capacity management, and long-term competitive advantage.

Improving Financial Discipline

In recent years, Airtel has focused on deleveraging, optimizing capital expenditure, and improving return on capital employed (ROCE). Strong cash flow generation from operations supports ongoing 5G investment while maintaining financial stability.

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Strategic Partnerships and Digital Ecosystem

Airtel has partnered with global technology and cybersecurity firms to strengthen its enterprise and digital service capabilities. These partnerships allow Airtel to expand into cloud, AI, and cybersecurity services without bearing full infrastructure risk, improving capital efficiency.

Ability to Lead Tariff Repair Cycle

In the quasi-duopoly market structure alongside Reliance Jio, Airtel is well positioned to benefit from industry-wide tariff rationalization. Its premium customer base makes it less vulnerable to subscriber churn during price hikes.

Key Risks

Intense Competitive Pressure

The Indian telecom industry operates as a quasi-duopoly primarily between Airtel and Reliance Jio. While pricing discipline has improved, any aggressive tariff action, promotional offers, or bundled ecosystem expansion by Jio could pressure Airtel's subscriber growth and ARPU trajectory. Competition remains a structural risk due to low switching costs for consumers.

High Capital Expenditure Requirements

Telecom is inherently capital intensive. Airtel must continuously invest in:

- 5G rollout and densification
- Fiber expansion
- Spectrum acquisition

Heavy capex can constrain free cash flow generation and delay deleveraging, particularly if monetization of 5G services takes longer than expected.

Regulatory and Policy Risk

The telecom sector is highly regulated. Airtel remains exposed to:

- Adjusted Gross Revenue (AGR) liabilities
- Spectrum pricing decisions
- Infrastructure access regulations
- Net neutrality rules

Any adverse regulatory decision or unexpected policy change can significantly impact profitability and valuations.

Debt and Interest Rate Risk

Due to spectrum payments and infrastructure investments, Airtel carries a substantial debt burden. Rising interest rates or refinancing risk could increase finance costs, affecting net profitability and return ratios.

Slower-than-Expected 5G Monetization

Although 5G rollout is progressing rapidly, consumer willingness to pay a meaningful premium remains limited. If enterprise adoption, private networks, and Fixed Wireless Access (FWA) growth do not scale as anticipated, returns on 5G investments may be lower than expected.

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ARPU Growth Dependency

Airtel's profitability strategy is heavily dependent on sustained ARPU growth through tariff hikes and premium subscriber migration. If competitive dynamics or regulatory intervention prevent meaningful tariff increases, margin expansion could stall.

Currency and Political Risk (Africa Operations)

Airtel's Africa business exposes the company to: Currency depreciation risk Political instability Regulatory unpredictability in emerging markets Foreign exchange volatility can impact consolidated earnings and reported profitability.

Technological Disruption Risk

Rapid technological changes, including satellite internet services and alternative connectivity models, could gradually alter the competitive landscape. While near-term impact may be limited, long-term disruption risk cannot be ignored.

Infrastructure and Network Quality Risk

Telecom operators rely on uninterrupted network performance. Service disruptions, cybersecurity breaches, or infrastructure failures can damage brand reputation and lead to regulatory penalties or subscriber churn.

Market Volatility and Institutional Activity

Significant block deals, FII outflows, or derivatives-driven volatility can cause sharp short-term stock price fluctuations independent of operational performance.

Valuation and Outlook

- Bharti Airtel is entering a phase of sustained growth and margin expansion, driven by robust subscriber additions, ARPU improvement, 5G network rollouts, and enterprise digital services scaling. EBITDA and PAT are expected to grow steadily through FY28E, with RoCE improving above 15%, reflecting enhanced capital efficiency and strong operating leverage. While valuations remain relatively premium on P/E and EV/EBITDA multiples, the combination of consistent earnings growth and improving free cash flow generation should provide valuation support over the medium term.
- The company's fundamentals remain solid, though risks include intense competitive pressure, regulatory uncertainties, high capital expenditure requirements, and currency volatility in its Africa operations. Bharti Airtel is well positioned for medium- to long-term investors comfortable with sector cyclicity and regulatory dynamics.
- We maintain a **Buy** recommendation, backed by strong earnings visibility, market leadership, and a diversified business model.

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