Bharti Airtel (BHAAIR)

ICICI Direct

CMP: ₹1948 | Target ₹ 2350 (21%) | Target Period: 12 months | **BUY**

August 6, 2026

Another quarter of healthy performance!

About the stock: Bharti Airtel (Airtel) is India's second largest telecom operator with ~37.7 crore wireless customers in India and ~18.9 crore subscribers across 14 African countries. It enjoys industry leading ARPU in the wireless business in India.

Q1FY27 performance: Consolidated topline at ₹ 58,539 crore, was up 5.7% QoQ and up 18.4% YoY. India wireless revenues were up 3.8% QoQ (up 9.2% YoY) at ₹ 29,929 crore, driven by subscriber addition of 3.3 mn to 376.5 mn and Average Revenues per User (ARPU), which was at ₹ 264, 2.7% QoQ and up ~5.4% YoY, with QoQ growth largely driven by healthy postpaid and data subscriber addition. It witnessed healthy 4G+5G Net adds of 5 mn during the quarter, with 4G/5G data subbase at 301.8 mn. Africa Revenues at ₹ 17,566 crore, were up 9.6% QoQ (constant currency growth of 5.7%). Consolidated EBITDA came in at ₹ 33,303 crore, with margins of 56.9%, flat QoQ and up 61 bps YoY, with India wireless margins at 60.8%, up 14 bps QoQ, while Africa Margins at 50.2% was down 15 bps QoQ. Adjusted PAT was at ₹ 8,057 crore, up 11.2% QoQ and 35.5% YoY.

Investment Rationale:

- **India Wireless business on a strong footing:** The wireless business performance of Airtel continues to be on a strong footing despite no tariff hike. **It continued to witness healthy key metrics in Q1 such industry leading ARPU growth of 2.7% QoQ,** robust 4G+5G Net adds of 5 mn during the quarter, wireless margins at 60.8%, up 14 bps QoQ, along with **debt reduction of ₹9196 crore QoQ, led by strong FCF** of **₹ 14,390 crore**
- **Enterprise segment healthy: Airtel business (enterprise) revenues were** up 3.2% QoQ/ 12% YoY to ₹ 5,665 crore, **reflecting market share gains,** with growth drivers being acceleration in high-margin digital solutions (Cloud, IoT, Cybersecurity, CPaaS) alongside key international connectivity wins. In cloud business, company onboarded 11 new enterprise customers. **The Enterprise segment margins also improved to 44%, up 105 bps QoQ.**
- **We bake ~10% ARPU CAGR over FY26-28:** Management reiterated that long-term ARPU expansion requires structural repair of the pricing architecture specifically charging for tiered data consumption rather than unlimited data bundles. We **expect Airtel's ARPU to witness ~ to witness ~10% CAGR over FY26-28E to ₹ 311, as we bake in ~10% tariff hike in H2FY27 alongwith mix led improvement. We also highlight that stepped-up tariff will also drive India margins improvement to 61% in FY28 vs. ~59%, currently.**

Rating and Target Price: Airtel continues to maintain its relative strength among peers in a consolidated industry with the industry leading ARPU, wireless margins and cash flows. **We maintain BUY rating, with target price of ₹2,350 on SoTP basis**.

airtel

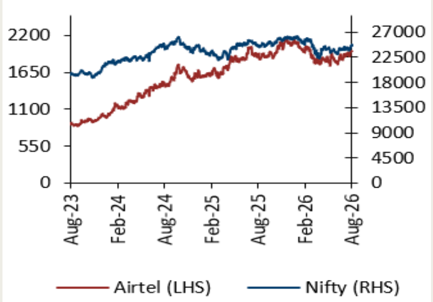
Particulars

Particulars	₹ crore
Market Cap	12,15,630
Total Debt (FY26)	1,95,412
Cash & Inv (FY26)	30,722
EV	13,80,320
52 week H/L	2175/1740
Equity capital	3,120
Face value (₹)	5.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	50.3	48.9	48.9	50.1
FII	19.4	19.5	20.5	20.6
DIIs	27.4	28.8	27.8	26.5
Public	2.9	2.8	2.8	2.8

Price Chart



Key risks

- Market share losses in wireless business
- Delay in Tariff hike

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2 yr CAGR (FY26-28E)
Net Sales	1,49,982	1,72,985	2,10,973	16.0	2,39,591	2,61,988	11.4
EBITDA	78,292	93,159	1,19,675	21.4	1,37,327	1,52,591	12.9
Adj. PAT	11,305	17,552	26,904	LP	37,491	47,431	32.8
EPS (₹)	13.0	57.9	43.8		59.9	76.0	
P/E (x)	149.6	33.7	44.5		32.5	25.6	
EV/EBITDA (x)	18.1	15.1	11.4		9.6	8.3	
RoCE (%)	11.9	12.7	17.1		20.9	23.3	
RoE (%)	13.8	15.4	18.0		22.2	24.1	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- Overall, India Business highlights: Overall India revenue at ₹ 41214 crore, was up 4.2% QoQ and 9,7% YoY. India revenues (ex- tower) were at ₹ 37389 crore, up 3.6% QoQ, 10.6% YoY. Overall Indian margin (ex-tower) was up 24 bps QoQ, 102bps YoY at 59.1%. India EBITDAaL (EBITDA after lease payments) margin stood at 55.3%, down 72 bps QoQ.
- India Wireless Business:
    - a) India wireless **revenues were up 3.8% QoQ (up 9.2% YoY) at ₹ 29929 crore, driven by subscriber addition of 3.3 mn to 376.5 mn and Average Revenues per User (ARPU), which was at ₹ 264, 2.7% QoQ and up ~5.4% YoY**, with **QoQ growth largely driven by premiumization, FastLane technology (5G network slicing) driving postpaid upgrades, and contextualized digital upsell**. India wireless margins were at 60.8%, up 14 bps QoQ
    - **b)** The data usage per sub was up 9.3% QoQ at 34.4 GB per month. It witnessed healthy 4G+5G Net adds of 5 mn during the quarter, with 4G/5G data subbase at 301.8 mn**. Post-paid subscriber base also saw robust addition of ~1 mn subscribers (highest ever in a quarter) at 30 mn.**
    - c) Management reiterated that long-term ARPU expansion requires structural repair of the pricing architecture specifically charging for tiered data consumption rather than unlimited data bundles. **Going ahead, Airtel's ARPU is expected to witness ~10% CAGR over FY26-28E to ₹ 311, as we bake in ~10% tariff hike in H2FY27 alongwith mix led improvement**. We also highlight that stepped-up tariff will also drive India margins improvement to 61% in FY28.
- Non-wireless India business:
    - a) **In the broadband business,** pace of addition moderated to 473k vs 1.12 mn in Q4, taking the total base to 14.7 mn. ARPU moderated to ₹ 523/month (₹ 527/month in Q4FY26). **The management indicated that low entry-level pricing in Fixed Wireless Access (FWA) led to higher churn and weaker customer continuity. Combined with rising global memory and chipset costs, management has tightened acquisition quality and re-pivoted primary strategy back to Fiber-to-the-Home (FTTH), reserving FWA strictly for non-fiberisable locations and quality customers with unit economics viability.**
    - b) DTH reported revenues were up 1.4% QoQ/ 3.6% YoY at ₹ 773 crore.
    - c) During the quarter, **Airtel business (enterprise) revenues were** up 3.2% QoQ/ 12% YoY to ₹ 5665 crore, with growth drivers being acceleration in high-margin digital solutions (Cloud, IoT, Cybersecurity, CPaaS) alongside key international connectivity wins. **The margins also improved to 44%, up 105 bps QoQ**. In cloud business, company onboarded 11 new enterprise customers (Total: 33). Target verticals include sovereign cloud needs, disaster recovery, and storage-as-a-service.
    - d) Airtel **reiterated its ambition to scale Nxtra from 120–130 MW (12% market share) to 1 GW over the next few years**. Existing customer commitments, including Google, upcoming capacity additions and land acquisitions in Mumbai provide management with confidence in achieving this target. It also **indicated that data centre investments will represent the largest incremental component of future capital expenditure.**
- Africa Business highlights:
    - a) Africa reported revenues were up 6% QoQ/30.9% YoY to US$ 1.85bn. **In constant currency terms, gross revenue rose 5.7% QoQ/21.1% YoY to US$ 1.84bn**. EBITDA Margins at 50.2% was

down 17 bps QoQ. EBITDAaL margin stood at 40.3%, up 16 bps QoQ. In rupee terms, Africa Revenues at ₹ 17566 crore, were up 9.6% QoQ.

b) Data subs base was 3.7% QoQ/15.5% YoY at 87 mn while Data usage per subscriber was at 10.6GB per month, up 7.5% QoQ.

c) It completed a share swap transaction, increasing its stake in Airtel Africa to >79%. The management **alluded to Africa business as a multi-year structural growth engine supported by low telecom penetration, favourable demographics and expanding financial services akin to India, a decade back**. Airtel Money prepping for a London listing in H2 2026.

- Other Highlights:

a) Capex: Capex for the quarter **was ₹ 13396 crore vs. ₹ 16066 crore in Q4. India Capex (ex-passive) for the quarter was ₹ 9698 crore vs. ₹ 13488 crore in Q4.** The **net debt (excl. lease liabilities) at ₹ 81,852 crore was down by ₹9196 crore QoQ, given the healthy cashflow generation.** The management indicated that radio/network rollout has been moderated within mobile business, and incremental spend is now toward fibre to strengthen transport, homes, sub-sea infrastructure and data centers. It also stated that 5G Standalone requires modest additional capex, given that it is largely software-led.

b) The company has deployed Small Language Models (SLMs) on endpoint devices for 30,000 field engineers, cutting cloud workload costs from ~₹ 30-45 crore to zero while improving installation quality via real-time image processing.

Bharti Airtel continues to maintain its relative strength among peers in a consolidated industry. With a formidable digital ecosystem offering and overall efforts through premiumisation and higher wallet share, the industry leading ARPU, wireless margins and cash flows are reflective of the same. We remain constructive on Airtel and maintain our BUY rating on the stock with SOTP based target price of ₹ 2350/share.

Exhibit 1: Quarter performance

	Q1FY27	Q1FY26	Q4FY26	YoY (%)	QoQ (%)	Comments
Revenue	58,539	49,463	55,383	18.4	5.7	
Employee Expenses	2,178	1,738	2,028	25.3	7.4	
Marketing Expenses	6,488	5,363	6,180	21.0	5.0	
Access Charges	1,589	1,257	1,494	26.4	6.3	
Network Operating	10,810	9,546	10,208	13.2	5.9	
License Fee	4,172	3,720	3,982	12.2	4.8	
EBITDA	33,303	27,839	31,492	19.6	5.8	
EBITDA Margin (%)	56.9	56.3	56.9	61 bps	3 bps	
Depreciation	14,235	12,465	13,644	14.2	4.3	
Interest	5,956	5,461	5,606	9.1	6.3	
Exceptional Items	353	0	3,161	NM	NM	
Total Tax	3,761	3,083	797	22.0	371.7	
PAT	8,167	5,948	7,325	37.3	11.5	
Adjusted PAT	8,057	5,948	7,245	35.5	11.2	
Subscribers (Mn)	376.5	362.8	373.2	3.8	0.9	
ARPU	263.9	250.3	257	5.4	2.7	

Source: Company, ICICI Direct Research

Exhibit 2: Segmental Projections

	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
India							
Wireless Subs (Mn)	326.0	335.4	352.3	361.6	373.2	383.3	391.1
ARPU	160	189	204	234	256	282	311
Total Minutes (Bn)	4,104	4,348	4,667	4,882	5,036	5,143	5,273
MOU (mins)	1,056	1,096	1,131	1,140	1,142	1,133	1,135
Africa							
Subscriber base	128.4	140.0	152.7	166.1	183.5	197.6	205.7
ARPU ($)	3.2	2.3	2.6	2.3	2.4	2.5	2.5
Total Minutes	378.7	439.1	504.4	570.2	600.7	656.4	712.7
MoU	256	273	287	298	286	287	295

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26E	FY27E	FY28E
Total operating Income	**2,10,973**	**2,39,591**	**2,61,988**
Growth (%)	22.0	13.6	9.3
Employee Expenses	7,581	8,934	9,696
Marketing Expenses	23,053	25,844	27,312
Access Charges	5,542	6,078	6,279
Network Operating	39,750	44,052	46,870
License Fee	15,373	17,357	19,239
Total Operating Expenditure	91,298	1,02,264	1,09,396
EBITDA	**1,19,675**	**1,37,327**	**1,52,591**
Growth (%)	28.5	14.8	11.1
Depreciation	52,711	57,502	62,877
Interest	21,555	21,856	17,585
Other Income	2,817	3,007	3,000
Exceptional Items	3,418	353	0
PBT	44,808	60,622	75,129
MI / Profit from associates	6,763	5,306	5,160
Total Tax	11,350	17,906	22,539
PAT	**26,695**	**37,410**	**47,431**
Growth (%)	-20.4	40.1	26.8
EPS (₹)	**46.0**	**59.9**	**76.0**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26E	FY27E	FY28E
Profit after Tax	26,695	37,410	47,431
Add: Depreciation	52,711	57,502	62,877
Add: Interest Paid	21,555	21,856	17,585
(Inc)/dec in Current Assets	3,078	-6,258	-7,194
Inc/(dec) in CL and Prov	16,346	21,538	12,276
Others	0	0	0
CF from op activities	**1,20,386**	**1,32,047**	**1,32,975**
(Inc)/dec in Investments	-12,841	-25,000	-25,000
(Inc)/dec in Fixed Assets	-60,447	-46,000	-46,000
Others	-2,345	-1,641	-1,628
CF from inv activities	**-75,632**	**-72,641**	**-72,628**
Issue/(Buy back) of Equity	15,700	73	0
Inc/(dec) in loan funds	-18,230	-30,000	-25,000
Dividend paid	-14,625	-17,473	-19,969
Interest Paid	-21,555	-21,856	-17,585
Others	7,614	0	0
CF from fin activities	**-31,096**	**-69,256**	**-62,554**
Net Cash flow	13,657	-9,849	-2,207
Opening Cash	16,720	30,377	20,527
Closing Cash	**30,377**	**20,527**	**18,321**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY26E	FY27E	FY28E
Liabilities			
Equity Capital	3,047	3,120	3,120
Reserve and Surplus	1,46,010	1,65,947	1,93,408
Total Shareholders funds	1,49,057	1,69,067	1,96,528
Total Debt	1,95,412	1,65,412	1,40,412
Deferred Tax Liability	6,779	6,779	6,779
Others	57,226	55,585	53,957
Total Liabilities	**4,08,473**	**3,96,843**	**3,97,676**
Assets			
Net Block	2,82,326	2,70,825	2,53,948
CWIP	12,938	12,938	12,938
Goodwill	56,686	56,686	56,686
Right of Use	67,324	67,324	67,324
Investments	22,726	47,726	72,726
Debtors	7,978	9,060	12,202
Loans and Advances	13,230	15,025	16,429
Other Current Assets	24,930	28,312	30,959
Cash	30,377	20,527	18,321
Total Current Assets	76,515	72,924	77,911
Creditors	45,015	53,169	57,422
Other Current Liabilities	98,663	1,12,047	1,20,070
Total Current Liabilities	1,43,678	1,65,216	1,77,492
Net Current Assets	-67,164	-92,292	-99,582
Others Assets	33,636	33,636	33,636
Application of Funds	**4,08,473**	**3,96,843**	**3,97,676**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26E	FY27E	FY28E
Per share data (₹)			
EPS	43.8	59.9	76.0
Cash EPS	130.3	152.1	176.8
BV	244.6	270.9	314.9
Operating Ratios			
EBITDA Margin (%)	56.7	57.3	58.2
EBIT Margin (%)	31.7	33.3	34.2
PAT Margin (%)	12.8	15.6	18.1
Inventory days	0.0	0.0	0.0
Debtor days	13.8	13.8	17.0
Creditor days	77.9	81.0	80.0
Return Ratios (%)			
RoE	18.0	22.2	24.1
RoCE	17.1	20.9	23.3
Valuation Ratios (x)			
P/E	44.5	32.5	25.6
EV / EBITDA	11.4	9.6	8.3
EV / Net Sales	6.5	5.5	4.9
Market Cap / Sales	5.8	5.1	4.6
Price to Book Value	8.0	7.2	6.2
Solvency Ratios			
Debt/EBITDA	1.6	1.2	0.9
Debt / Equity	1.3	1.0	0.7
Current Ratio	0.3	0.3	0.3
Quick Ratio	0.3	0.3	0.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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