

# MOODY'S

## RATINGS

### **Rating Action: Moody's affirms Bharti Airtel's Baa3 ratings; outlook stable**

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Singapore, February 01, 2024 -- Moody's Investors Service has affirmed Bharti Airtel Ltd.'s (Bharti) Baa3 issuer rating. Moody's has also affirmed the Baa3 senior unsecured debt rating on the bonds issued by Bharti, as well as on the backed senior unsecured notes issued by Bharti Airtel Int'l (Netherlands) B.V.

Moody's has maintained the stable ratings outlook.

"The affirmation of Bharti's ratings reflects its leading market position in the high-growth Indian mobile market, pan-India network and strong spectrum holdings. The company's proven ability to access capital markets and the benefits of a strong and supportive shareholder base also boost its credit profile," says Nidhi Dhruv, a Moody's Vice President and Senior Credit Officer.

"Moody's expects Bharti's consolidated leverage as measured by adjusted debt/EBITDA to steadily improve to 2.8x in FY2024 and 2.5x in FY2025 from 3.1x last year on the back of improving earnings, repayment of scheduled debt maturities and prepayment of spectrum liabilities with surplus cash," adds Dhruv, who is also Moody's lead analyst for Bharti.

Bharti has been opportunistically prepaying its deferred spectrum liabilities with surplus cash. In the current fiscal year ending 31 March 2024 (FY 2024), the company has prepaid INR163 billion of spectrum debt.

#### RATINGS RATIONALE

Bharti's Baa3 rating considers the company's position as one of the three largest telecom service operators globally in terms of subscribers (540 million), its solid market position in India's (Baa3 stable) high-growth mobile market and its large spectrum holdings. Bharti's proven ability to access capital markets and the benefits of its strong and supportive shareholder base also underpin the ratings.

On a consolidated level, for the first half (1H) of the current fiscal year FY 2024, Bharti

recorded a year-on-year (YoY) growth of 11% in revenue to INR745 billion and 15% growth in EBITDA to INR394 billion due to the outperformance in the Indian operations, which contributed around 70% of revenue and earnings.

Bharti's 56%-owned subsidiary, Airtel Africa PLC recorded a YoY growth of 7% in revenue to INR216 billion while EBITDA rose by 8.7% to INR107 billion in 1H FY2024 despite a significant devaluation in the Naira by around 50%. Excluding FX impact, revenue and EBITDA would have grown by 20% and 21% respectively, supported by strong subscriber growth and ARPU expansion.

Moody's expects Bharti to continue its growth trajectory, especially with competition easing in India and increasing mobile penetration in Africa. On a consolidated basis, Moody's expects Bharti's revenue to grow 8%-11% and its EBITDA to increase 11%-12% over the next 2-3 years as the company benefits from its market leading positions in high-growth markets. Nonetheless, its African business results will remain susceptible to FX fluctuations.

Following the 5G spectrum purchase in August 2022, Bharti began to ramp up its capex to enhance its 5G infrastructure along with densifying its 4G network coverage. While the company's adjusted capex intensity as measured by adjusted capex/revenue was 31% in 1H FY2024, 5G capex spending should ease over the next 1-2 years and Moody's expects capex intensity to reduce to 24%-26% in fiscal 2025-26.

Bharti has an excellent liquidity profile with staggered debt maturities, such that the majority of its debt comes due between 2027-2032. The company also retains very strong access to bank and bond markets.

## OUTLOOK

The stable outlook reflects Bharti's improving operating and financial profile, including Moody's expectation of its credit metrics remaining well within the rating tolerance level.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's could upgrade the rating if Bharti's overall profitability improves, coupled with an absolute reduction in debt, and there are no adverse changes in the regulatory environment in its key operating countries as well as the group structure.

Credit metrics indicative of a higher rating level include (1) adjusted consolidated debt/EBITDA falling below 2.5x on a consistent basis, and (2) retained cash flow/adjusted debt remaining above 30% on a sustained basis. However, Moody's will upgrade Bharti's ratings only if the sovereign rating is upgraded, because the company's ratings are constrained by the Indian government's Baa3 rating.

On the other hand, Moody's could downgrade the rating if there is a reversal in the company's profitability, a significant deterioration in its liquidity position or any adverse changes in the competitive or regulatory environments that would derail the continued improvement in profitability, cash flow and leverage. Credit metrics that would indicate such deterioration include (1) adjusted consolidated debt/EBITDA sustaining above 3.5x or (2) retained cash flow/adjusted debt falling below 20% on a sustained basis. Moody's would also downgrade Bharti's rating if the Indian sovereign rating is downgraded.

The principal methodology used in these ratings was Telecommunications Service Providers published in November 2023 and available at <https://ratings.moodys.com/rmc-documents/411275>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Founded in 1994, Bharti Airtel Ltd. ranks among the top three telecommunications service providers globally, based on total number of subscribers. As of 30 September 2023, it had around 540 million customers across operations in 17 countries in South Asia and Africa.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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