Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	70,506	-1.3	15.9
Nifty-50	21,150	-1.4	16.8
Nifty-M 100	44,025	-3.3	39.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,722	-1.0	23.0
Nasdaq	14,866	-0.9	42.0
FTSE 100	7,716	1.0	3.5
DAX	16,733	-0.1	20.2
Hang Seng	5,613	0.4	-16.3
Nikkei 225	33,676	1.4	29.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	82	1.8	0.2
Gold ($/OZ)	2,033	-0.4	11.5
Cu (US$/MT)	8,501	0.0	1.6
Almn (US$/MT)	2,208	0.0	-6.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.2	0.0	0.5
USD/EUR	1.1	-0.3	2.3
USD/JPY	143.7	-0.1	9.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	-0.01	-0.2
10 Yrs AAA Corp	7.7	0.01	0.0
Flows (USD b)	**20-Dec**	**MTD**	**CYTD**
FIIs	-0.2	5.47	20.0
DIIs	0.57	1.61	21.8
Volumes (INRb)	**20-Dec**	**MTD***	**YTD***
Cash	1,463	1187	708
F&O	6,94,049	3,78,906	2,76,442

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Godrej Properties – The Corner Office

Targeting sustainable growth on the back of strong project pipeline

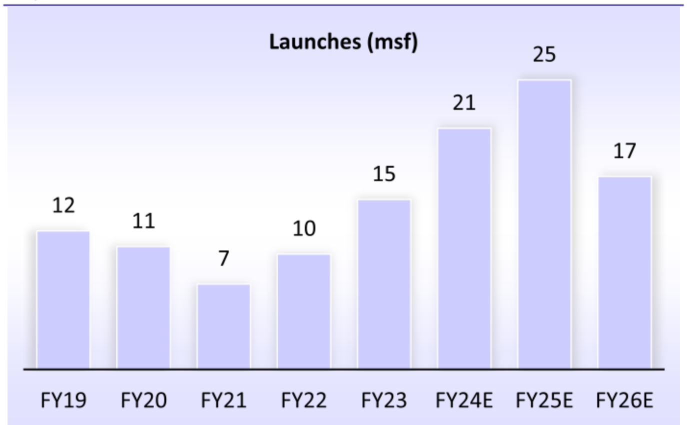
- The management has laid out a clear growth strategy as it looks to capture a higher share in its focused markets. GPL has developed a strong project pipeline over the last 18 months and intends to launch these projects on priority, which would accelerate the bookings growth and enable higher cash flow, given favourable ownership of new projects.
- While aggressive BD spending is now behind, opportunistic land investment will continue in order to refill the portfolio. Company is comfortable to operate at 0.5x to 1x D/E and in absolute terms it will remain materially below INR100b. On the profitability front, the company is confident of achieving 10-15% PAT margin with an upside risk, given the increase in realizations and it remains on track to achieve 20%+ RoE.
- We reiterate our **BUY** rating with an increased TP of INR2,300, implying a 22% upside.

Research covered

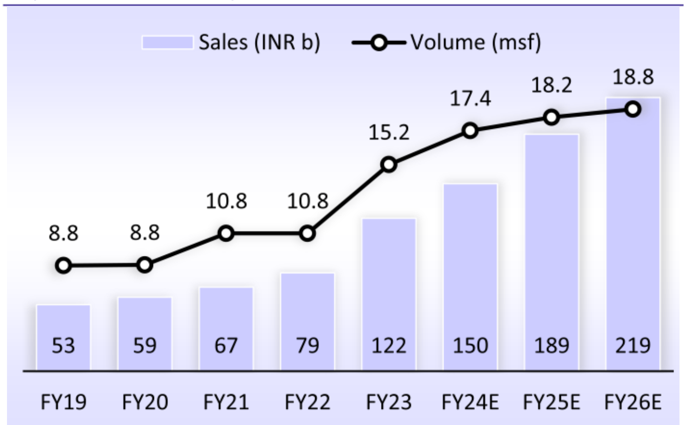
Cos/Sector	Key Highlights
Godrej Properties	The Corner Office: Targeting sustainable growth on the back of strong project pipeline
Birla Corporation	Navigating growth in a changing market environment
Telecom	Accelerating growth in 4G subscribers
	Industry growing at modest pace

Chart of the Day: Godrej Properties (Targeting sustainable growth on the back of strong project pipeline)

Expect launch run-rate to sustain at over 15-20msf from FY24



Expect 23% CAGR in pre-sales over FY23–26



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Zee, Sony to discuss extension of deadline to complete merger

Zee Entertainment Enterprises Ltd said that "'good faith negotiations" will happen with Japan-based Sony Group's India unit to discuss an extension of the merger deadline.

2

Bharat Petroleum Corporation Ltd (BPCL) to invest Rs 5,044 crore to set up polypropylene unit at kochi

The company said its board of directors at a meeting approved the investment ₹5,044 crore in setting up a polypropylene production unit at its Kochi refinery to meet rising petrochemical demand in the country. The proposed polypropylene unit will be constructed in about 46 months from the date of the investment approval and is designed to produce 400,000 tonnes per annum.

3

HDFC Bank raises ₹7,425 crore via bonds to fund infra, affordable housing projects

HDFC Bank said that it issued and allotted on a private placement basis 7.71% unsecured, redeemable, long-term, fully paid up, non-convertible bonds in the nature of debentures.

4

Tata Motors expects record passenger vehicle sales next year

Tata Motors, India's third-largest passenger vehicle manufacturer, anticipates the upcoming year to be a record-breaking period for its passenger vehicles business.

5

Indian auto component industry logs 13% growth to $36.1 billion in H1FY24

The automobile components industry saw turnover grow 12.6% to $36.1 billion for the first half of 2023-24 (April-September 2023), compared with $33.9 billion earned in the corresponding period of FY23, according to a ACMA report

6

Texmaco Rail & Engineering secures Rs 1,374 cr order from Indian Railways

Texmaco Rail & Engineering Ltd on Wednesday said it has secured an order worth Rs 1,374.41 crore from the Ministry of Railways for manufacture and supply of 3,400 wagons.

7

UPI transactions up 118% in semi-urban, rural retail stores in 2023

United Payments Interface (UPI) transactions at retail stores in rural and semi-urban India rose 118 per cent in 2023 from last year, marking the increasing adoption of online payments in Tier-II cities.

Targeting sustainable growth on the back of strong project pipeline

We hosted Mr. Pirojsha Godrej, Chairman, Godrej Properties to discuss the demand trends and the company's strategy to further scale up the business from its current level. We also discussed the trajectory of cash flows and leverage going ahead. Key insights from the discussion are highlighted below:

Pursuing growth with improved profitability

India will be a strong structural growth story for the next 10-15 years, given the economic reforms being implemented. Urbanization and job creation will drive the housing demand for the foreseeable future. Management is of the view that the housing cycle spans 8-9 years in either direction. We are currently in the third year of an upcycle, and there is no reason to believe this one will last for a shorter time period. While delivering a 20% growth with improved profitability on sustainable basis remains the primary objective, given the strong demand traction, the company is keen to surpass its targeted growth rate over the next few years. In the past, the margins were impacted by an overreliance on lower-end mid-income projects, where cost inflation had a more noticeable effect. Hence, the company has strategically shifted focus toward developing a portfolio of projects that lean more toward the premium side of the mid-income segment, and has consistently tried to bring down the cost of construction in proportion to sales

Focused on existing markets

From a group housing perspective, the company would remain focused on its existing four markets, i.e., NCR, Mumbai, Pune, and Bengaluru. The only new market which will soon be added to the list is Hyderabad. Management believes that there is significant scope to expand its presence in these five markets, considering that GPL has only 2-3% market share. As India continues to progress economically, new markets will emerge on a scale that justifies committing capital and management resources to seize growth opportunities. However, currently, it intends to double down on existing markets before expanding further. Additionally, the company will continue to pursue plotted development opportunities in tier II cities. The turnaround time in this segment can be as low as six months and it offers high margin/high return on capital. It also provides opportunity to understand the market dynamics of smaller cities. The company is open to explore plotted opportunities in top 20 tier II cities although there are not many favorable deals currently available.

Current project pipeline sufficient to deliver growth; on track for 20% RoE

Competition among developers to acquire new projects/land has resulted in a sharp increase in land prices. However, the company has de-risked itself by adding new projects worth ~INR350b over the last 18 months and at current prices, the sales potential of these projects has also increased substantially. While aggressive investments toward land is now behind, the company will continue to make opportunistic investments to refill the project pipeline or bridge the gap in the existing portfolio. The management perceives potential in Noida and Bengaluru markets, seeing opportunities to add additional projects. Overall, the current project pipeline is robust enough to deliver consistent growth over the next few years. As these projects get launched, the collections will significantly scale up and expect GPL to generate positive FCF soon. The company is comfortable to operate at 1x D/E and in absolute terms, it will remain well below INR100b. On the profitability front, the company is confident of achieving 10-15% PAT margin with an upside risk, given the increase in realizations and it remains on track to achieve 20%+ RoE.

Godrej Properties

Mr. Pirojsha Godrej, Executive Chairperson

Mr. Pirojsha Godrej is the Executive Chairperson of Godrej Properties, Godrej Housing Finance, and Godrej Fund Management. He graduated from the Wharton School of Business in 2002, completed his Masters in International Affairs from Columbia University in 2004, and an MBA from Columbia Business School in 2008. Pirojsha joined GPL in 2004, became an Executive Director in 2008, and was appointed CEO in 2012

Performance-linked incentive for senior management; improved focus on quality

Incentives for the leadership team are being set in line with the below goals: 1) Reported P&L 2) Operational P&L which would reflect imputed margin 3) Cash collections and 4) Net Promoter score based on customer feedback. Apart from business development, many key operational areas are decentralized with regional CEOs being independently responsible for monetizing/executing the projects. The company has also set up a separate governance vertical whose head will report to CEO and is mandated to track just the quality aspects of all projects.

Other highlights

- Risk of over aggression is embedded in real estate, which is evident from the fact that many companies have gone bankrupt in this sector. Hence, it is important to remain mindful of market dynamics and commit capital accordingly without compromising on growth.
- Two years ago, business development was the key priority, but today, the ultimate focus is on getting approvals for all the new projects and launch them in a timely manner.
- Unsold inventory to launched inventory is one of the key metrics the company tracks internally and the ratio is down to 11% vs. 20% pre-covid.
- The company enjoys a low cost of debt, given the strong parentage. This enables it to underwrite projects at better terms, and hence, act as an entry barrier.

Valuation and view

The management has laid out a clear growth strategy as it looks to capture a higher share in its focused markets. GPL has developed a strong project pipeline over the last 18 months and intends to launch these projects on priority, which would accelerate the bookings growth and enable higher cash flow, given favorable ownership of new projects. The sustained traction in BD continues to offer a clear outlook for pre-sales growth. Additionally, the increased completion of projects with favorable ownership structures augurs well for the stock. We reiterate our BUY rating with an increased TP of INR2,300, implying a 22% upside.

Our SoTP-based approach denotes 22% upside for GPL based on CMP; reiterate BUY

Particulars	Rationale	Value (INR b)	Per share	Contribution
Own and JV/JDA projects	❖ DCF for four years, expected cash flow at WACC of 10%, and terminal value assuming 3% long-term growth	678	2,441	106%
DM projects	❖ PV of future cash flows discounted at WACC of 10%	3	11	0%
Commercial projects	❖ PV of future cash flows discounted at WACC of 10%	14	52	2%
Gross asset value		**696**	**2,503**	**109%**
Net debt	❖ FY24E	(57)	(203)	-9%
Net asset value		**639**	**2,300**	**100%**
No. of shares (m)		278		
NAV per share		**2,300**		
CMP		1,891		
Upside		**22%**		

Source: MOFSL

20 December 2023

Company Update | Sector: Cement

Birla Corporation

BSE SENSEX	S&P CNX
70,506	21,150

BIRLA CORPORATION LIMITED

MP BIRLA GROUP

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	105.1 / 1.3
52-Week Range (INR)	1474 / 843
1, 6, 12 Rel. Per (%)	-2/1/17
12M Avg Val (INR M)	145

Financial Snapshot (INR b)

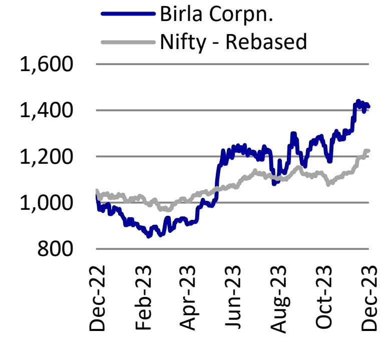
Y/E MARCH	FY24E	FY25E	FY26E
Sales	98.6	105.0	110.7
EBITDA	14.0	16.6	18.0
Adj. PAT	3.8	5.6	6.8
EBITDA Margin (%)	14.2	15.8	16.3
Adj. EPS (INR)	48.9	72.9	88.4
EPS Gr. (%)	944.0	49.0	21.2
BV/Sh. (INR)	816	876	953
Ratios			
Net D:E	0.6	0.5	0.3
RoE (%)	6.1	8.6	9.7
RoCE (%)	5.8	7.2	7.8
Payout (%)	20	16	14
Valuations			
P/E (x)	27.8	18.7	15.4
P/BV (x)	1.7	1.6	1.4
EV/EBITDA(x)	9.9	8.0	7.0
EV/ton (USD)	83	80	71
Div. Yield (%)	0.7	0.9	0.9

Shareholding pattern (%)

As On	Sep-30	Jun-30	Dec-31
Promoter	62.9	62.9	62.9
DII	16.0	15.8	16.1
FII	6.6	7.2	4.5
Others	14.5	14.1	16.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,360 TP: INR1,700 (+25%) Buy

Navigating growth in a changing market environment

Scaling up Mukutban plant operations

- Birla Corporation (BCORP) is seeing steady progress in its Mukutban plant operations, with the capacity utilization of the plant reaching ~46% by Sep'23-end. Moreover, there has been continued improvement in Oct'23. Capacity utilization is likely to reach ~65-70% by FY24-end. Variable costs have reduced by ~50% at this plant since its commencement of operations.
- The company is targeting EBITDA/t improvement of INR300-350 in FY24E led by cost saving initiatives and increasing share of premium products. It is ramping up coal extraction from captive coal mines to optimize fuel cost. It is investing in kilns to equip them to increase AFR usage. It is optimizing logistics cost by increasing direct dispatches from the plant and re-routing clinker distribution (including clinker swapping) to its grinding units.
- BCORP plans to increase grinding capacity to 25mtpa by FY26 from the existing capacity of 20mtpa. According to available data on environmental clearance (EC) received by the company, we believe the next phase of expansion will be in north/central India. We believe the company has EC for an extra 5.6mtpa/6.5mtpa clinker/cement capacity at its current locations. Apart from this, the company has announced a greenfield grinding capacity expansion of 1.4mtpa in Prayagraj, Uttar Pradesh, at an estimated capex of INR4b. This facility is likely to be commissioned by 1QFY26.
- We raised our EBITDA estimates by 3%/2% for FY24/FY25 driven by cost efficiencies, which led to increase in EPS estimate by 6%/3% for FY24/FY25. The stock currently trades at 8x/7x FY25E/26E EV/EBITDA, a lower valuation compared to its similar-sized peers. **We value the stock at 9x Sep'25E EV/EBITDA to arrive at our TP of INR1,700 (EV/t of USD90). Reiterate BUY.**

Reconstructed ramp-up strategy of Mukutban plant

- Commissioning and ramping up of the Mukutban plant witnessed multiple challenges in the recent past. Initially, during the construction phase, the project was affected by the slowdown caused by Covid-19. Subsequently, after the plant's commissioning at the start of FY23, higher input costs and muted realization adversely impacted profitability.
- However, with the joining back of Mr. Ghose as MD and CEO from Jan'23, it has reconstructed ramp-up strategy of this plant (leveraging its well-known premium brand Perfect Plus, selling in the markets outside Maharashtra to expand its reach and increasing direct sales from the plant), and hit EBITDA positive in Mukutban in Mar'23.

- It is seeing steady growth in its Mukutban plant operations ramp-up as capacity utilization reached ~46% by Sep'23-end. Following further improvement in Oct'23, capacity utilization is likely to increase 65-70% by FY24-end. The company is selling +65% of its volume within Maharashtra, with the remaining sales distributed across other markets, with higher sales in southern Madhya Pradesh, Telangana, and Chhattisgarh.
- Variable costs declined 50% at this plant since the commencement of its operations, led by operational efficiencies, the successful commissioning of WHRS, savings in raw material costs, and positive operating leverage. Its captive mine at Mukutban is now fully operational and it is focused on scaling up its mining operations to further minimize raw material expenses. Further, the Mukutban plant qualifies for state incentives (in terms of SGST refund), providing a competitive advantage over peers.

Targeting EBITDA/t improvement of INR300-350 in FY24E

- The company has implemented various cost-reduction initiatives under "Project Shikhar" and achieved cost savings of up to INR50/t in the areas of power and fuel, fly ash, and limestone cost. Further savings under Phase 2 is expected in the coming period under plant overheads and fixed overheads.
- Secondly, "Project Unnati" has been launched with an intent to increase "Go-to-Market" strategy, with a focus on sales, logistics, and marketing domains. It aims to expand the market footprint and increase the intensity of coverage in core geographies by improving reach and penetration.
- The company scaled up its production from Sial Ghoghri captive coal mine, thereby, reducing dependence on imported coal. The company has been allotted two additional coal mines, Bikram and Marki Barka, with production expected to start in 4QFY24 and 2HFY26, respectively. Upon the commissioning of these mines, ~55-60% of the company's total fuel requirement for kiln operations will be fulfilled through captive sources.
- In logistics, the company is investing in integrated logistics management system, which provides visibility of materials movement, optimize routes, reduce turnaround time, and thereby, control costs. We estimate the company's EBITDA/t to improve to INR755/INR865/INR900 in FY24/FY25/FY26 vs. INR490 in FY23.

Target to increase cement capacity to 25mtpa by FY26

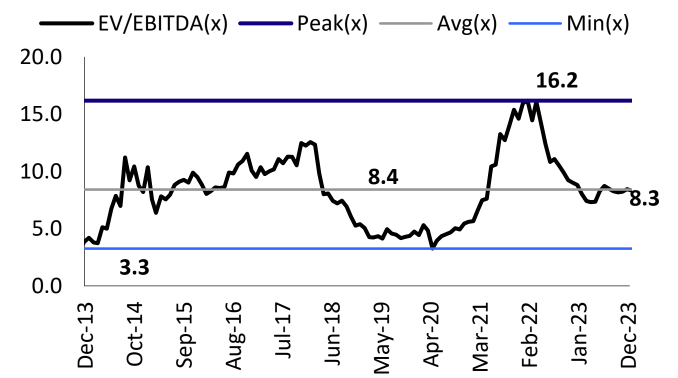
- BCORP plans to increase grinding capacity to 25mtpa by FY26 from its existing capacity of 20mtpa. Post commissioning and ramping up of the Mukutban capacity, it is planning to set up a second clinker line at Maihar, MP, and grinding units in North and Central India.
- According to available data on environmental clearance (EC) received by the company, the company has EC for an extra 5.6mtpa/6.5mtpa clinker/cement capacity at its current locations. It should be noted that in May'23, BCORP acquired the mining rights at Katni, MP. We believe the land contains limestone reserves of 111mt (reserves can help to set up a grinding capacity of 3.5mtpa, considering limestone reserves for 30 years).

- Apart from this, the company has announced a greenfield grinding capacity expansion of 1.4mtpa in Prayagraj, Uttar Pradesh, at an estimated capex of INR4b, which is likely to be commissioned by 1QFY26. This facility will be entitled to the government incentive of 300% of investment.

Valuation attractive; reiterate BUY

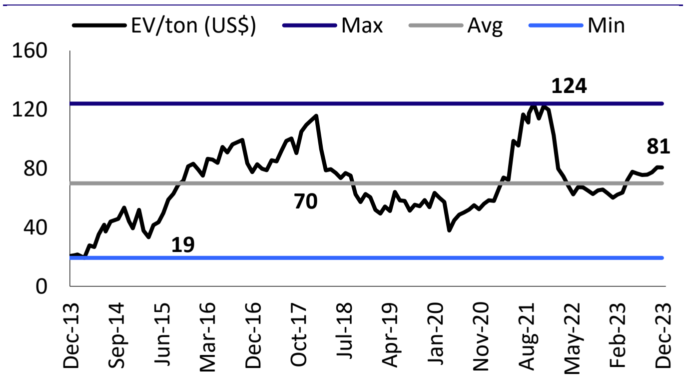
- We estimate consol. revenue/EBITDA CAGR at 8.5%/33% over FY23-26, driven by higher sales volume, improvement in realization, and cost savings. We estimate BCORP's consolidated volume to report ~8% CAGR over FY23-26. We further estimate its EBITDA/t at INR780/INR880/INR910 in FY24/FY25/FY26 vs. INR490 in FY23 (average EBITDA/t was at INR825 over FY18-22). EBITDA margin is likely to increase to 14-16% in FY24-26 vs. 9% in FY23. PAT is estimated to grow at 2.7x annually over FY23-26, aided by a low base of FY23. We estimate its ROE/ROCE to improve to 10%/8% in FY26 vs. 1%/3% in FY23, supported by better margins and higher asset turnover ratio.
- BCORP has experienced higher net debt in recent years due to elevated capex and weak profitability. The net debt is estimated to have reached its peak in FY24 at INR37b and is anticipated to decline over FY25-26. The management guided net debt to EBITDA to be maintained within 3x on a sustainable basis. We expect the company to generate strong OCF (estimated cumulative OCF of INR49b), which will support its future growth plans (both capacity expansion and efficiency improvement).
- The stock currently trades at 8x/7x FY25E/FY26E EV/EBITDA, lower valuation compared to its similar-sized peers. **We value the stock at 9x Sep'25E EV/EBITDA to arrive at our TP of INR1,700 (implying EV/t of USD90). Reiterate BUY.**

One-year forward EV/EBITDA trend



Source: Company, MOFSL

One-year forward EV/t trend



Source: Company, MOFSL

Telecom

Accelerating growth in 4G subscribers

RJio continues to lead in all parameters

The Telecom Regulatory Authority of India (TRAI) has released the subscriber data for Sep'23. Here are the key highlights:

- **VIL arrests churn in active subscribers:**

a. The industry-wide **gross subscriber** base **rose 1.7m MoM** to 1,150m (vs. +2.2m in Aug'23). It has increased for the third consecutive month after remaining flat for the previous nine months. The number of VIL subscribers declined 0.7m MoM, while RJio/Bharti added 3.5m/1.3m subscribers, resulting in a rise in the gross subscriber base.

b. The number of **active subscribers** in the industry **increased 3.4m MoM** to 1,047m (vs. -3.6m in Aug'23). The active subscriber base has been increasing by an average of 2m per month for the last six months, while the gross subscriber base has been increasing by 1m per month. The increase was led by RJio's addition of 3.1m subscribers. **After losing subscribers for 17 months, VIL added 0.4m subscribers in Sep'23.** Bharti added 0.6m subscribers.

c. Industry **rural subscribers grew 1m MoM** (vs. +1.3m in Aug'23) to 520m, led by RJio/Bharti addition of 1.6m/0.6m subs (vs. 1.6m/0.7m in Aug'23). VIL/BSNL continued to lose rural subscribers by 0.4m/0.9m in Sep'23 (vs. -0.3m/-0.6m in Aug'23). RJio continued to lead in rural markets with a 38.1% share (+30bp MoM), followed by Bharti at 35.0% (flat MoM) and VIL at 21.3% (-10bp MoM).

d. **4G subscriber additions accelerate:** The industry continued to accelerate 4G subscriber **additions by 8m MoM** in Sep'23 (vs. 7.6m additions in Sep'23) to reach 847m (81% of active subscribers). The industry added 4.7m subscribers per month on an average for the last one year, which went up to 7.3m per month in 2QFY24. RJio/ Bharti/ VIL added 3.5m/3.6m/1m subs.

- **Mobile number portability (MNP)**: Total requests for MNP have been consistently increasing, validated by a higher churn and SIM consolidation. The number of MNP requests in Sep'23 stood at 12.7m (vs. 12.7 in Aug'23), representing 1.2% of the total active subscribers.
- **Bharti continued to add** 1.3m gross subscribers (vs. +1.2m in Aug'23). Gained 0.6m active subscribers (vs -0.4m in Aug'23); however, it lost its active market share by 10bp to 35.9% as VIL reported stable market share. The company's 4G subscriber additions stood at 3.6m (vs. +2.6m in Aug'23), taking its total 4G subscriber base to 251m.
- **RJio continued to stand out** with gross/active subscriber additions of 3.5m/3.1m MoM (vs. +3.2m/1.2m in Aug'23). As a result, its active market share increased to 40.1% (+10bp MoM, the highest in the industry). Its 4G subscriber additions stood at 3.5m MoM (vs. +3.2m in Aug'23).
- **VIL restricted its churn** with a 0.4m MoM increase in active subscribers to 127m (vs. a 1.6m per month decline for the last 17 months). Its 4G subscriber base also increased 1m MoM (vs. +1.3m in Aug'23) to 127m. It lost 4G market share to 14.9% in Sep'23 (-10bp MoM). In terms of gross subscribers, it lost 0.7m subscribers (vs. flat in Aug'23).
- **Wired broadband subscribers** for the industry increased 0.5m MoM to 36.9m in Sep'23. RJio/Bharti added 160k subscribers each MoM (vs. 190k/ 160k adds in Aug'23). BSNL's net subscribers were flat MoM (vs. +30k in Sep'23).

Active subscriber base increased led by RJio

Active subscriber base (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	359	358	359	365	366	367	370	370	373	373	376	376	376
VIL	212	212	210	210	209	208	208	207	205	203	202	199	200
RJio	386	391	388	391	394	398	403	407	412	414	416	417	420
Top Three players	**957**	**961**	**957**	**966**	**970**	**973**	**980**	**985**	**990**	**990**	**994**	**992**	**996**
Other players	**57**	**52**	**56**	**55**	**55**	**55**	**54**	**54**	**53**	**53**	**52**	**51**	**51**
Total	**1014**	**1013**	**1012**	**1021**	**1025**	**1028**	**1034**	**1038**	**1043**	**1043**	**1046**	**1043**	**1047**

Source: TRAI, MOFSL

RJio added the highest active subscribers; VIL lost in subscriber arrested this month

Active subscriber net adds (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	2.5	-1.0	1.0	6.0	1.3	0.8	2.5	0.7	2.4	0.1	3.2	-0.4	0.6
VIL	-3.0	-0.5	-2.0	-0.1	-0.5	-0.8	-0.5	-0.8	-1.8	-2.5	-0.4	-2.9	0.4
RJio	0.9	4.9	-3.0	3.0	3.5	3.2	5.0	4.7	4.9	2.3	1.4	1.2	3.1
Top Three players	**0.4**	**3.5**	**-4.0**	**8.8**	**4.4**	**3.2**	**7.0**	**4.6**	**5.5**	**-0.1**	**4.2**	**-2.1**	**4.1**
Other players	**-0.9**	**-4.6**	**3.5**	**-0.3**	**-0.4**	**-0.4**	**-0.3**	**-0.4**	**-0.5**	**-0.5**	**-0.6**	**-0.9**	**-0.7**
Total	**-0.6**	**-1.1**	**-0.5**	**8.6**	**3.9**	**2.8**	**6.7**	**4.2**	**5.0**	**-0.5**	**3.6**	**-3.0**	**3.4**

Source: TRAI, MOFSL

In active subscriber market share (in %), RJio retained the pole position; VIL stable while Bharti declined

Active subscriber market share	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	35.4	35.3	35.5	35.8	35.7	35.7	35.7	35.7	35.7	35.7	35.9	36.0	35.9
VIL	20.9	20.9	20.7	20.5	20.4	20.3	20.1	19.9	19.7	19.4	19.3	19.1	19.1
RJio	38.1	38.6	38.3	38.3	38.5	38.7	38.9	39.2	39.5	39.7	39.7	40.0	40.1
Top Three players	**94.4**	**94.9**	**94.5**	**94.6**	**94.6**	**94.7**	**94.8**	**94.8**	**94.9**	**94.9**	**95.0**	**95.1**	**95.2**
Other players	**5.6**	**5.1**	**5.5**	**5.4**	**5.4**	**5.3**	**5.2**	**5.2**	**5.1**	**5.1**	**5.0**	**4.9**	**4.8**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

Gross subscribers picked up for the third consecutive month after remaining flat for the last 9 months (Sep'22-Jun'23)

Gross subscriber base (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	364	365	366	368	369	370	371	371	372	374	375	376	378
VIL	249	246	244	241	240	238	237	234	231	230	228	228	228
RJio	420	421	423	425	426	427	430	433	436	439	442	446	449
Top Three players	**1033**	**1032**	**1033**	**1033**	**1035**	**1035**	**1038**	**1038**	**1040**	**1042**	**1046**	**1050**	**1055**
Other players	**112**	**112**	**110**	**109**	**108**	**107**	**106**	**105**	**104**	**102**	**100**	**98**	**96**
Total	**1145**	**1144**	**1143**	**1143**	**1143**	**1142**	**1144**	**1143**	**1143**	**1144**	**1146**	**1148**	**1150**

Source: TRAI, MOFSL

Within gross subscribers, RJio/Bharti gained while VIL was flat

Gross subscriber net adds (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	0.4	0.8	1.1	1.5	1.3	1.0	1.0	0.1	1.3	1.4	1.5	1.2	1.3
VIL	-4.0	-3.5	-1.8	-2.5	-1.4	-2.0	-1.2	-3.0	-2.8	-1.3	-1.3	0.0	-0.7
RJio	0.7	1.4	1.4	1.7	1.7	1.0	3.1	3.0	3.0	2.3	3.9	3.2	3.5
Top Three players	**-2.9**	**-1.3**	**0.7**	**0.8**	**1.6**	**0.0**	**2.9**	**0.1**	**1.6**	**2.4**	**4.1**	**4.4**	**4.0**
Other players	**-0.8**	**-0.5**	**-1.2**	**-0.9**	**-1.5**	**-1.0**	**-0.9**	**-0.9**	**-1.5**	**-2.0**	**-1.4**	**-2.2**	**-2.3**
Total	**-3.7**	**-1.8**	**-0.6**	**-0.1**	**0.1**	**-1.1**	**2.0**	**-0.8**	**0.1**	**0.4**	**2.7**	**2.2**	**1.7**

Source: TRAI, MOFSL

RJio continued to gain market share

Gross subscriber market share (%)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	31.8	31.9	32.0	32.2	32.3	32.4	32.4	32.5	32.6	32.7	32.7	32.8	32.8
VIL	21.7	21.5	21.3	21.1	21.0	20.8	20.7	20.4	20.2	20.1	19.9	19.9	19.8
RJio	36.7	36.8	37.0	37.1	37.3	37.4	37.6	37.9	38.2	38.4	38.6	38.8	39.1
Top Three players	**90.2**	**90.2**	**90.3**	**90.4**	**90.6**	**90.6**	**90.7**	**90.8**	**90.9**	**91.1**	**91.3**	**91.5**	**91.7**
Other players	**9.8**	**9.8**	**9.7**	**9.6**	**9.4**	**9.4**	**9.3**	**9.2**	**9.1**	**8.9**	**8.7**	**8.5**	**8.3**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

4G subscriber base continued to increase

MBB subscriber base (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	220	223	225	229	232	234	236	238	240	242	244	247	251
VIL	123	123	124	124	125	124	125	124	124	125	124	126	127
RJio	420	421	423	425	426	427	430	433	436	439	442	446	449
Top Three players	**763**	**768**	**772**	**777**	**783**	**785**	**791**	**795**	**800**	**805**	**811**	**818**	**826**
Other players	21	22	21	22	22	21	21	21	21	20	20	21	21
Total	**784**	**789**	**792**	**799**	**805**	**805**	**812**	**816**	**821**	**825**	**832**	**839**	**847**

Source: TRAI, MOFSL

4G subscriber additions continued to accelerate

MBB subscriber net adds (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	1.0	3.0	2.2	3.8	2.8	2.2	2.0	2.3	2.1	1.3	2.9	2.6	3.6
VIL	0.1	0.2	0.3	0.2	1.1	-1.3	1.1	-1.3	0.0	1.3	-0.6	1.3	1.0
RJio	0.7	1.4	1.4	1.7	1.7	1.0	3.1	3.0	3.0	2.3	3.9	3.2	3.5
Top Three players	**1.8**	**4.6**	**3.9**	**5.6**	**5.6**	**1.9**	**6.2**	**4.1**	**5.2**	**4.9**	**6.2**	**7.1**	**8.0**
Other players	-0.3	0.5	-0.6	0.6	0.6	-1.5	0.4	0.0	0.2	-0.9	-0.1	0.5	0.0
Total	**1.5**	**5.1**	**3.4**	**6.2**	**6.2**	**0.5**	**6.6**	**4.1**	**5.3**	**4.0**	**6.1**	**7.6**	**8.0**

Source: TRAI, MOFSL

4G subscriber market share

MBB subscriber market share	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Bharti	28.0	28.2	28.4	28.6	28.8	29.0	29.0	29.2	29.2	29.3	29.4	29.4	29.6
VIL	15.7	15.6	15.6	15.5	15.5	15.4	15.4	15.1	15.0	15.1	14.9	15.0	14.9
RJio	53.6	53.4	53.4	53.2	52.9	53.0	53.0	53.1	53.1	53.1	53.2	53.1	53.0
Top Three players	**97.3**	**97.3**	**97.4**	**97.3**	**97.2**	**97.4**	**97.4**	**97.4**	**97.4**	**97.5**	**97.6**	**97.5**	**97.5**
Other players	2.7	2.7	2.6	2.7	2.8	2.6	2.6	2.6	2.6	2.5	2.4	2.5	2.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

MNP continued to increase, leading to SIM consolidation

Mobile Number Portability (m)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Request submitted	12.0	11.8	12.0	12.5	12.4	11.2	11.7	11.0	11.5	10.9	11.8	12.7	12.7
Cumulative request submitted	748.1	759.9	771.9	784.4	796.8	808.0	819.7	830.7	842.1	853.0	864.8	877.4	890.1
% to active subscribers	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.0%	1.1%	1.2%	1.2%

Source: TRAI, MOFSL

Telecom

Industry growing at modest pace

RJio gains the highest market share by 50bp, retains pole position

TRAI released its quarterly telecom financial data for 2QFY24. Below are key highlights:

AGR grows for all telcos

The telecom industry's AGR grew by 1.9% QoQ (incl NLD) in 2QFY24, led by ARPU growth of 1.6% QoQ. Industry subscriber growth inched up by 0.6% (vs. flat in last four quarters), indicating the underlying trend of upgrading from 2G to 4G. All telcos reported growth in AGR, with Bharti/RJio/VIL posting 2.3%/3.1%/1.8% growth. As a result, RJio gained the highest market share by 50bp QoQ to 41.6%, followed by Bharti's gain of 15bp to 36.9%. VIL's market share stood flat at 16.1%. Bharti/VIL's growth was largely driven by improvements in ARPU, while RJio's growth was led by steady subscriber growth.

ARPU supports AGR growth

Industry ARPU grew by 1.6% QoQ, led by improvements in subscriber mix and premiumization, among others. Bharti's ARPU improved by INR2 to INR193, VIL's ARPU rose by INR5 to INR139, and RJio's ARPU inched up to INR184.

The subscriber base for Bharti grew by 1.1% QoQ to 378m and RJio grew by 2.4% QoQ to 449m. VIL posted a 1% drop in subscribers to 228m.

Circle-wise AGR share – Bharti gains market share in most circles

Out of the total 22 circles, Bharti/RJio/VIL saw market share improvements in 6/15/1 circles.

- **'Metro+A' circles lead growth:** Industry AGR (excluding NLD) grew 2.8% QoQ, whereas 'Metro+A circles' grew at a faster rate of 3.7% QoQ, which could be due to higher propensity/faster adoption of 4G/5G plans in Metro/T1.
  - 'B circles' and 'C circles' grew at a modest rate of 2.2%/1.5% QoQ.
- **Bharti** AGR grew 3.0% QoQ to INR198b, due to 4.2% QoQ growth in 'Metro+ A circles'. 'B circles' and 'C circles' grew at the industry rate of 2.5%/1% QoQ.
  - Bharti gained AGR market share in 'Metro+A circles' and 'B circles' by 20bp/10bp QoQ but lost in 'C circles' by 20bp.
- **RJio** AGR grew 3.2% QoQ to INR242b, led by broad-based growth in all circles. 'Metro+A circles', 'B circles' and 'C circles' grew by 3.5%/3.2%/2.8% QoQ.
  - RJio gained AGR market share in 'B circles' and 'C circles' by 50bp/60bp QoQ but lost in 'Metro+A circles' by 10bp.
- **VIL** AGR grew 3.3% QoQ to INR75b, led by 7.3% QoQ growth in 'Metro+A circles'. VIL increased prices in Aug'23 in 15 circles (vs. 4 circles in 1QFY24).
  - 'B circles' and 'C circles' saw a decline in AGR by 0.8%/11.7% QoQ.
  - VIL gained AGR market share in 'Metro + A circles' by 60bp QoQ but lost in 'B circles' and 'C circles' by 45bp each.

Valuation

Bharti

In the near term, Bharti's earnings growth should soften QoQ to ~2% unlike average 5% growth seen in last eight quarters. This could be attributed to moderating growth from 4G mix benefits, low probability of tariff hikes, and softening market share gains. However, the long-term sector outlook remains buoyant, with an opportunity to grow market share as well as drive tariff hikes led by sectoral tailwinds. We value Bharti at INR1,070 based on SoTP, assigning an EV/EBITDA ratio of 10x/5x to the India Mobile/Africa businesses. Retain BUY on the stock.

RJio

Overall revenue growth should soften owing to a high subscriber base, continued churn, limited visibility on tariff hikes (not factored in any price hikes) and slower market share gains as VIL holds its turf. However, the long-term sector outlook remains buoyant, as: a) market consolidation has left just two strong players, underscoring the opportunity for monetization of 5G and tariff hikes, and b) once VIL's debt moratorium (AGR + spectrum liability) expires in Nov'25, its INR400b revenue size may offer a strong opportunity for market share growth in two years. We valued RJio at 12x on FY25E EBITDA, arriving at a valuation of INR760/share (adjusted for its 66% stake).

VIL

The significant amount of cash required to service debt leaves limited upside opportunities for equity holders, despite the high operating leverage opportunity from any ARPU increase. The current low EBITDA will make it challenging for VIL to service debt without an external fund infusion. Assuming 15x EV/EBITDA with a net debt pf INR2.1t, it leaves limited opportunity for equity shareholders. Retain Neutral on the stock with a TP of INR11.

AGR (incl NLD) trajectory

AGR (in bn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Bharti	157.1	168.7	184.6	189.4	197.0	201.9	204.5	212.8	217.8	2.3	10.5
Vodafone Idea	86.7	87.6	93.8	94.7	95.2	93.8	92.8	93.4	95.1	1.8	-0.1
RJio	187.1	193.5	209.4	218.1	224.7	229.3	233.2	238.1	245.5	3.1	9.2
Top 3 players	431.0	449.8	487.8	502.2	516.9	525.0	530.4	544.4	558.3	2.6	8.0
Other players	31.7	33.3	30.6	35.2	30.9	32.4	34.9	34.2	31.3	-8.7	1.0
Total	**462.6**	**483.1**	**518.4**	**537.4**	**547.8**	**557.5**	**565.3**	**578.6**	**589.6**	**1.9**	**7.6**

AGR market share

In %	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (bp)	YoY (bp)
Bharti	34.0	34.9	35.6	35.3	36.0	36.2	36.2	36.8	36.9	16	98
Vodafone Idea	18.7	18.1	18.1	17.6	17.4	16.8	16.4	16.1	16.1	-2	-125
RJio	40.4	40.0	40.4	40.6	41.0	41.1	41.2	41.2	41.6	48	62
Top 3 players	93.2	93.1	94.1	93.5	94.4	94.2	93.8	94.1	94.7	61	34
Other players	6.8	6.9	5.9	6.5	5.6	5.8	6.2	5.9	5.3	-61	-34
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

ARPU trajectory

ARPU (INR)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Bharti	148	158	172	175	181	184	185	191	193	1.4	7.0
Vodafone Idea	106	109	119	122	125	128	129	134	139	3.8	10.5
RJio	145	153	170	178	180	181	182	183	184	0.9	2.5
Top 3 players	70	77	69	84	71	78	87	88	81	-7.4	14.2
Others	131	139	150	156	159	162	165	169	171	1.6	7.6
Total	**148**	**158**	**172**	**175**	**181**	**184**	**185**	**191**	**193**	**1.4**	**7.0**

Source: TRAI, MOFSL

Circle-wise AGR market share (%)

	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (bp)	YoY (bp)
Metro + A circles											
Bharti	37.6	35.8	35.8	35.8	36.6	36.7	36.8	37.2	37.4	18	77
RJio	37.8	39.1	39.4	39.3	39.3	39.7	40.0	40.6	40.5	-11	119
IDEA	17.7	18.2	18.5	17.9	17.8	17.0	16.8	16.4	17.0	57	-82
Others	7.0	7.0	6.4	7.0	6.2	6.5	6.4	5.7	5.1	-63	-114
B circles											
Bharti	29.8	30.2	31.4	32.1	32.6	33.1	32.9	33.5	33.6	10	99
RJio	49.0	48.3	48.2	47.3	47.9	48.0	48.2	47.3	47.8	49	-15
IDEA	16.3	16.1	16.6	16.0	15.8	15.5	15.0	14.9	14.5	-43	-132
Others	4.8	5.3	3.8	4.6	3.6	3.4	4.0	4.3	4.1	-15	48
C circles											
Bharti	37.5	38.2	39.7	41.2	41.2	41.7	41.7	42.8	42.5	-23	129
RJio	55.6	54.7	53.8	52.2	52.6	52.1	52.2	50.7	51.3	62	-127
IDEA	3.9	4.0	3.8	3.9	3.6	3.6	3.2	3.4	3.0	-44	-66
Others	3.0	3.1	2.7	2.7	2.6	2.6	2.9	3.2	3.2	5	63

Source: TRAI, MOFSL

Snapshot of Subscriber/AGR market share - Circle wise

	AGR	QoQ growth	ARPU	Gross subs market share (%)			Subs market share ranking			AGR market share (%)			AGR market share ranking		
	(INR b)	(%)	(INR)	Bharti	VIL	RJio	Bharti	VIL	RJio	Bharti	VIL	RJio	Bharti	VIL	RJio
Metro + A circles	**255**	**3.7**	**171**												
Mumbai	19	7.4	159	30%	36%	27%	2	1	3	34%	26%	31%	1	3	2
Delhi	26	4.4	176	41%	22%	35%	1	3	2	40%	15%	43%	2	3	1
Kolkata	10	7.1	134	25%	26%	42%	3	2	1	29%	22%	40%	2	3	1
Maharashtra	47	3.4	170	29%	22%	45%	2	3	1	30%	20%	47%	2	3	1
TN & Chennai	42	3.7	181	41%	18%	34%	1	3	2	41%	16%	37%	1	3	2
AP	43	2.4	176	44%	11%	40%	1	3	2	43%	11%	41%	1	3	2
Karnataka	36	3.2	181	51%	9%	30%	1	3	2	52%	8%	32%	1	3	2
Gujarat	32	2.6	164	23%	31%	43%	3	2	1	22%	28%	48%	3	2	1
B Circles	**203**	**1.9**	**145**												
UP-East	37	-0.5	123	40%	16%	39%	1	3	2	41%	8%	48%	2	3	1
Rajasthan	31	0.8	158	41%	14%	41%	1	3	2	40%	10%	46%	2	3	1
Kerala	21	2.8	165	24%	34%	27%	3	1	2	25%	33%	31%	3	1	2
MP	34	1.6	146	24%	17%	56%	2	3	1	23%	13%	61%	2	3	1
UP(W)	27	2.6	144	35%	23%	38%	2	3	1	35%	16%	46%	2	3	1
Punjab	17	4.1	166	41%	18%	35%	1	3	2	40%	16%	40%	2	3	1
West Bengal	25	2.9	148	32%	18%	46%	2	3	1	30%	13%	54%	2	3	1
Haryana	10	3.9	132	34%	27%	35%	2	3	1	34%	16%	46%	2	3	1
C Circles	**82**	**0.8**	**148**												
Bihar	37	-0.9	133	47%	6%	45%	1	3	2	42%	3%	54%	2	3	1
Orissa	15	2.9	149	39%	3%	52%	2	3	1	36%	2%	56%	2	3	1
Assam	12	1.8	159	49%	6%	43%	1	3	2	46%	5%	47%	2	3	1
HP	5	3.0	172	44%	5%	43%	1	3	2	41%	3%	48%	2	3	1
J&K	7	2.2	182	49%	2%	46%	1	3	2	48%	1%	47%	1	3	2
North East	6	1.3	176	55%	5%	36%	1	3	2	52%	4%	40%	1	3	2
Total	**540**	**2.5**	**157**												

Source: TRAI, MOFSL

Nazara Tech: Expecting Rs 50-60 cr investment in publishing games over the next 1 year; Sudhir Kamath, COO

- Expect 50-60cr investment in publishing games over next 1 year
- Investment per game is at 2-3 cr
- E&Y recently pegged Indian gaming market at Rs.16,000 cr
- Thumb rule is return should be 1.5-2x of investments in the next 2-3 years
- Have cash on books for M&A, actively looking for acquisition

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- See higher value growth, still don't see a total resumption of consumer sentiment
- Our market share in pizza category has increased vs all other players
- See huge headroom for growth in Pizza consumption in India
- Poised to grow 2-3% like-for-like with 10% store addition annually
- Indian food services market is of $50B, but pizza is just $1B of the same
- Expect margin to improve 100-150bps from current level
- Will cross Rs.1,000 cr sales for Popeyes in 3-4 years

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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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