

Telecom

Bharti/Jio FCF to accelerate with capex normalisation & tariff hike

We expect Bharti's consolidated FCF to rise to ~INR 480bn/ INR 545bn in FY25/FY26 (from ~INR 330bn in FY24E) and Jio's FCF to rise to ~INR 245bn/ INR 383bn in FY25/FY26 (from ~INR 33bn in FY24E) driven by normalisation of capex and expectation of sharp tariff hike in FY25. Bharti and Jio's managements are guiding for peak capex in FY24 and moderation in capex from FY25 with accelerated pan-India rollout of 5G likely to be achieved by Mar'24 and Dec'23 (achieved), respectively. Further, we continue to expect Bharti/Jio ARPU to grow at 9-10% CAGR over the next 3-5 years given the consolidated industry structure, and as industry needs to achieve an ARPU of INR 275-305 in the next 3-5 years (via tariff hikes, MBB upgrades, post-paid additions and data monetisation) for a pre-tax RoCE of 12-15%. Further, any near-term delay in tariff hike is likely to only strengthen the structural ARPU growth story as it is likely to expedite the transition to a duopoly market by further deterring VIL's fund-raise and, hence, capex plans. We expect Bharti to become net cash by FY29 (vs. net debt of INR 2,021bn, including lease liability, at end-3QFY24); this will also aid in accretion in equity value. We reiterate high conviction on our BUY on Bharti with an unchanged 1 year TP of INR 1,265 (and 3-year TP of INR 1,710; implying a 3-year IRR potential of 15%).

- **Bharti and Jio register ~3% QoQ EBITDA growth in 3QFY24; continued ARPU-led growth for Bharti and subs-led growth for Jio; VIL's subs loss continues:** In 3QFY24, Bharti continued to lead with ARPU of INR 208 (up INR 5 QoQ) followed by flattish QoQ ARPU of INR 182 or ~INR 172 ex-FTTH for Jio, and INR 145 (up INR 3 QoQ) for VIL. Jio (+11.2mn) and Bharti (+7.4mn) continued to see robust addition to high ARPU 4G subs in 3QFY24, while VIL's 4G subs addition was muted at 0.9mn only (moreover, VIL's overall subs-declining trend also continued). Hence, Bharti's India business EBITDA was up 3% QoQ in 3QFY24, aided by improved subs mix and rise in AMDU on back of robust 4G net adds and post-paid subs net adds (of 0.9mn). Jio's EBITDA was also up 2.8% QoQ, driven by strong subs addition. However, VIL's EBITDA was up only 1.6% QoQ due to overall subs loss (of 4.6mn) though its ARPU grew 2.1% QoQ with improvement in subs mix and full quarter impact of entry level tariff hike taken during 2QFY24). **(Exhibit 15)**
- **5G subs penetration improves gradually but 5G monetisation still remains a significant challenge for Jio and Bharti in absence of killer use case:** 5G penetration continued to improve for Jio and Bharti during 3QFY24 with +90mn 5G subs for Jio (vs. 70mn in 2QFY24) and 65mn 5G subs for Bharti (vs. 55mn last quarter). However, 5G subs penetration levels are still below 20% primarily due to lack of killer 5G use-cases and high price of entry level 5G smart-phones. Hence, Jio and Bharti continued with their unlimited 5G data offerings and haven't shared any 5G monetisation plans other than limited monetisation opportunity in form of 5G FWA and private 5G network services. Jio offers its 5G FWA services (Jio AirFiber) in +4,000 cities/towns and expects pan-India coverage in 1HCY24; while Bharti plans for full-scale rollout of its 5G FWA services using standalone 5G infrastructure (from presence in only 3 cities currently).
- **Bharti and Jio's FCF to grow from FY25 driven by capex normalisation and structural growth in ARPU:** Bharti and Jio's managements are guiding for peak capex in FY24 and moderation in capex from FY25 with accelerated pan-India rollout of 5G likely to be achieved by Mar'24 and Dec'23 (achieved), respectively. Bharti's management has guided for India business capex for FY24 to be elevated, at the same level as the FY23 capex of ~INR 280bn, but it has guided for cumulative capex in the India business over 3 years (FY23-25) to be ~INR 750bn (at the past run-rate of ~INR 250bn p.a.). This implies Bharti's India business capex could decline to ~INR 200bn from FY25, though we continue to conservatively build in ~INR 275bn for FY25. Jio's management also highlighted that capex is expected to moderate from FY25 with accelerated pan-India rollout of 5G achieved by Dec'23; we estimate Jio's capex to moderate to ~INR 310bn in FY25 vs. INR 450-500bn run-rate ex-spectrum in the last 2 years. Separately, notwithstanding a near-term delay in a tariff hike, we continue to believe ARPU is on a structural uptrend given the consolidated industry structure and future investment needs.



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Our calculation suggests (**Exhibit 4**) that the industry needs to achieve an ARPU of INR 275-305 in the next 3-4 years for a pre-tax RoCE of 12-15%. Hence, we expect Bharti's consolidated FCF to rise to ~INR 480bn/ INR 545bn in FY25/FY26 (from ~INR 330bn in FY24E) and Jio's FCF to rise to ~INR 245bn/ INR 383bn in FY25/FY26 (from ~INR 33bn in FY24E) – **Exhibit 14**.

- **VIL's subs decline continues due to muted capex, delay in 5G rollout & JioBharat phone; needs ARPU to jump to ~INR 400 in FY27 to meet its payment obligations:** With continued delay in fund-raising plans, VIL's subs loss trend may continue due to: **a)** muted capex; **b)** risk to its ~125mn 4G subs as Jio/Bharti is offering unlimited 5G data to attract VIL's high ARPU subs, which is yet to roll out its 5G services; and **c)** risk to its ~90mn 2G subs as Jio is targeting to grab a bulk of the ~200mn 2G customers via its aggressive rollout of JioBharat phone. Further, after the end of the 4-year moratorium, VIL will have to make payment for: **a)** spectrum dues from Oct'25 (of INR 148bn p.a. for original dues and INR 100bn p.a. due to deferment), and **b)** AGR dues from Mar'26 (of INR 91bn p.a. for original dues and INR 74bn p.a. due to deferment). That amounts to a total annual payment of INR 413bn. Our calculation suggests **VIL needs ARPU to jump sharply to ~INR 400 in FY27** (vs. ARPU of INR 145 in 3QFY24) to meet its payment obligations — **Exhibit 13**.
- **Bharti and Jio's EBITDA and valuation sensitivity to ARPU/subscriber growth:** Every increase/decrease in ARPU by INR 10 results in increase/decrease in: **a)** Bharti's consolidated FY25 EBITDA by ~0.8% and valuation by INR 26/share; and **b)** Jio's FY25 EBITDA by ~1% and valuation by INR 12/share. Similarly, every increase/decrease in subscribers by 10mn results in increase/decrease in: **a)** Bharti's consolidated FY25 EBITDA by ~2.3% and valuation by INR 28/share; and **b)** Jio's FY25 EBITDA by ~4.8% and valuation by INR 19/share. (**Exhibits 27 and 28**)
- **Maintain high conviction on our BUY on Bharti with 1-year TP of INR 1,265 and 3-year TP of INR 1,710 (implying 15% IRR):** As detailed in our Dec'23 Deep-Dive note ([Biggest beneficiary of structural ARPU growth story](#)), we reiterate the high conviction we have on our BUY rating (unchanged 1 year TP of INR 1,265, and 3-year TP of INR 1,710 implying a 3-year IRR potential of 15% — **Exhibit 29-30**) as we believe India wireless business tariff hikes are likely to be more frequent, going forward, given the consolidated industry structure and higher ARPU requirement for Jio also to justify significant 5G capex. Bharti is the biggest beneficiary of higher tariffs given the sticky and premium quality of its subs. We expect Bharti's India wireless ARPU to grow at a CAGR of ~9% to ~INR 300 in FY28 (vs. INR 208 in 3QFY24) driving consolidated EBITDA CAGR of ~13% over FY23-28. ARPU growth aided by likely moderation in capex will drive Bharti's FCF from FY25, enabling it to get to net cash by FY29 (vs. net debt of INR 2,021bn, including lease liability, at end-3QFY24); this will also aid in accretion in equity value. We maintain SELL on VIL (unchanged TP of INR 8/share) as significant fund-raise (+INR 600-700bn), improved capex as well as continued sharp tariff hikes are required to ensure that VIL remains a strong viable telco in the long term.

ARPU on a structural uptrend as industry needs ARPU to rise to INR 275-305 in the next 3-4 years to meet future capex needs

With the consolidation of India's telecom industry largely complete, we expect the wireless industry's revenue to grow further, at 10-12% CAGR, to +INR 3,150bn by FY26E and +INR 4,450bn by FY30E vs. ~INR 2,250bn in FY23, having recovered from a low of ~INR 1,200bn in FY19 (**Exhibit 3**) due to continued structural uptrend in industry ARPU driven by the industry's future investment needs.

Exhibit 1. Revenue market share (on AGR) for the telecom industry in FY12 was fragmented

■ Bharti Airtel ■ Vodafone ■ Idea ■ BSNL ■ RCOM ■ Others

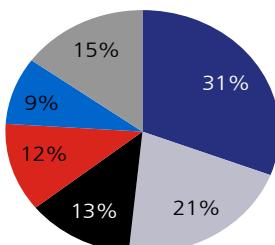
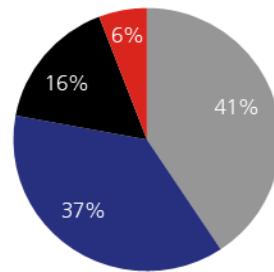


Exhibit 2. Revenue market share (on AGR) for the telecom industry has now largely consolidated

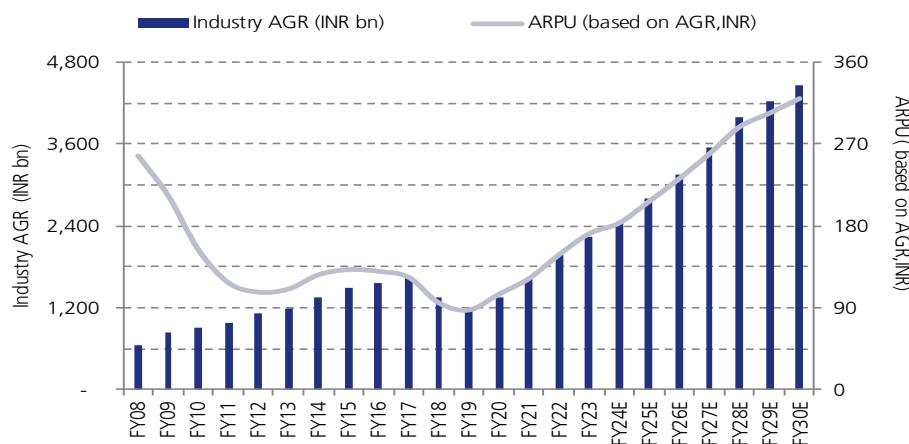
■ Jio ■ Bharti Airtel ■ VIL ■ BSNL/MTNL and Others



Source: TRAI, JM Financial. *Others include Aircel, TTSL, Telenor, MTS and MTNL.

Source: TRAI, JM Financial.

Exhibit 3. Telecom industry revenue to grow at 10-11% CAGR to +INR 4,450bn by FY30E, after having recovered to ~INR 2,250bn in FY23 (from a low of ~INR 1,200bn in FY19)



Source: TRAI, JM Financial.

Our calculation suggests (**Exhibit 4**) that the industry needs to achieve an **ARPU of INR 275-305 in the next 3-4 years for a pre-tax RoCE of 12-15%** considering the significant capex being incurred on 5G rollout (taking the total investments to ~INR 10,500bn cumulative till end-FY27E).

Exhibit 4. Estimated ARPU of INR 275-305 for a pre-tax RoCE of 12% and 15% based on future investment needs of private telcos

	For 12% ROCE	For 15% ROCE Comments
Required return	12%	15%
Total invested capital (INR bn)	10,474	10,474 Book value of net invested capital at the end of FY23 + estimated capex over FY24-27E
Required EBIT (INR bn)	1,257	1,571
Actual non-statutory opex (INR bn)*	1,723	1,723 3QFY24 annualized opex ex-License Fees and Spectrum Usage Charges [SUC]
License Fee + SUC (%)	10%	10% License Fee taken at 8% and SUC at ~2%
Required revenue (INR bn)	3,311	3,660
Number of subscribers (mn)	1,001	1,001
ARPU (INR)	276	306

Source: Company, JM Financial.* Pre-IND AS numbers used

Structural ARPU growth via tariff hikes, MBB upgrades, post-paid additions and data monetisation

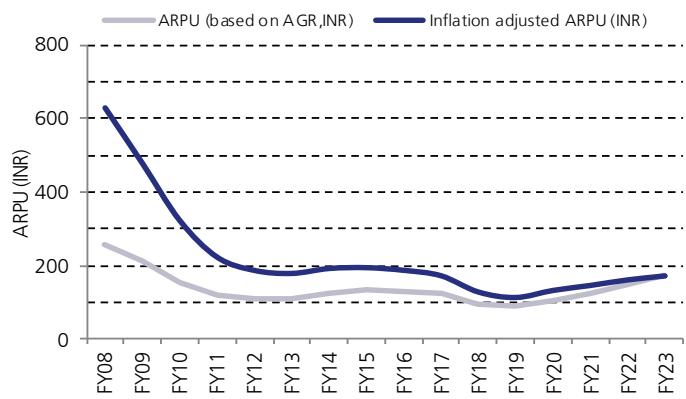
We expect structural growth in ARPU to be driven via a mix of: **a) tariff hikes; b) MBB upgrade to 4G/5G; c) strong post-paid additions and d) data monetisation driven by continued rise in data usage.** We have witnessed multiple tariff hikes in the last 3-4 years: **i) 30-40% hike in Dec'19 by all telcos across plans; ii) hike in entry level prepaid plan from INR 49 to INR 79 in Jul'21; iii) ~20% hike in Nov-Dec'21 by all telcos across plans; and iv) recent sharp hike in entry level pre-paid tariff (from INR 99 to ~INR 155) by Bharti across India and followed by VIL in select circles.** Despite these hikes and highest data usage, **ARPU in India is one of the world's lowest at USD 2.0/month vs. the global average of USD 8-10/month (and USD 6.2/month in China and USD 43.6/month in US).** **India's ARPU to GDP per capita is still low at ~1.0% in FY23 vs. +1.5% before Jio's entry** (i.e., before Jio's entry), though it has recovered from a low of ~0.7% in FY19. This is because both nominal- and inflation-adjusted ARPUs are still lower than historical ARPUs despite the recent increase (**Exhibit 5-8**).

Exhibit 5. India's ARPU to GDP per capita is still low at ~1% vs. +1.5% before Jio's entry despite the recent increase



Source: TRAI, JM Financial.

Exhibit 6. Both nominal- and inflation-adjusted ARPUs still lower than historical ARPUs despite the recent increase



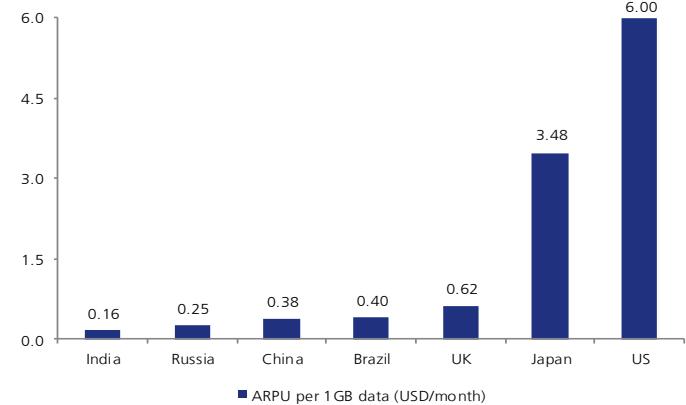
Source: TRAI, JM Financial.

Exhibit 7. At USD 2.0/month, India's ARPU one of the lowest in the world



Source: Company, Bloomberg, JM Financial.

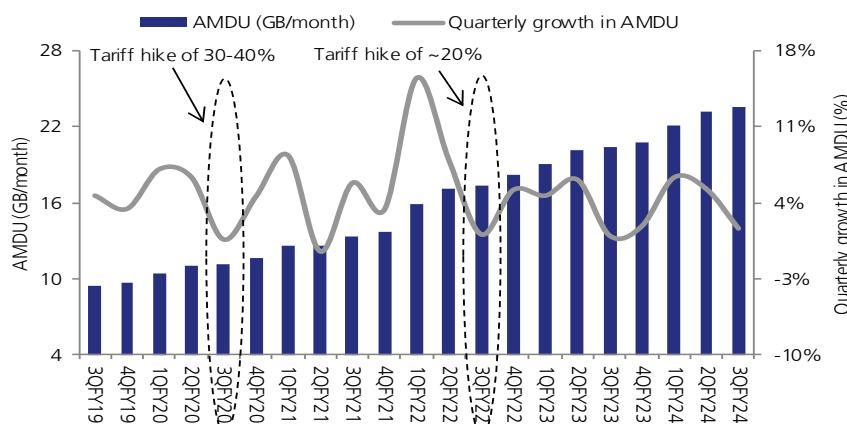
Exhibit 8. Data rates in India one of the lowest in the world at USD 0.13/GB



Source: Worldwide mobile data pricing database (Cable.co.uk)

However, despite the lowest ARPU, India's AMDU (average monthly data usage per data sub) is the highest globally, and continues to rise despite tariff hikes — it has risen from 11GB/month in 2QFY20 (before the start of tariff hikes) to ~23.6GB/month in 3QFY24 (**Exhibit 9**). AMDU growth trajectory is likely to continue over the next 3-5 years with gradual pick-up in 5G penetration as new use cases are developed and 5G smartphones become more affordable.

Exhibit 9. Despite tariff hikes, India's telecom industry AMDU has gone up from ~11GB/month in 2QFY20 (before start of tariff hikes) to ~23.6 GB/month in 3QFY24



Source: Company, JM Financial.

Also, there is significant scope for industry's MBB penetration to further rise to 85-90% in the next 3-4 years, after having risen to ~74% in Nov'23 vs. ~47% in Mar'19 (before the start of tariff hikes) and vs. 22% in Mar'17; MBB penetration is ~85-100% in China, Brazil and in developed countries. Jio aims to upgrade the entire existing ~200mn feature phone users, while Bharti expects the industry trend of upgrade of ~40mn feature phones to smartphones annually to continue for another 3-4 years.

We believe continued rise in data usage and MBB upgrades, despite strong tariff hikes, indicates the consumer's ability and willingness to pay for higher tariffs as smartphone connectivity is becoming a necessity service, and hence future tariff hikes are unlikely to be detrimental to MBB upgrades and data usage.

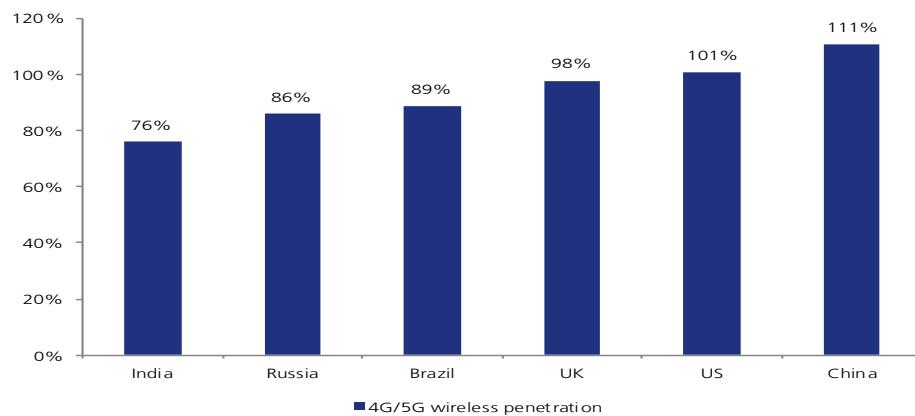
Exhibit 10. Telcos' MBB penetration has risen sharply despite tariff hikes

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Nov-23
Total EoP Subscriber base (mn)								
Bharti	274	304	325	328	352	360	371	380
VIL	209	223	395	319	284	261	237	224
Jio	109	187	307	388	423	404	430	456
Others	579	470	135	123	122	117	106	94
Total	1,170	1,183	1,162	1,158	1,181	1,142	1,144	1,154
Total EoP MBB Subscriber base (mn)								
Bharti	47	83	112	146	189	211	236	255
VIL	62	100	110	117	124	122	125	127
Jio	109	187	307	388	423	404	430	456
Others	40	25	16	17	20	24	22	21
Total	258	395	545	668	755	761	813	859
MBB subs as % of Total subs								
Bharti	17%	27%	35%	45%	54%	58%	64%	67%
VIL	30%	45%	28%	37%	44%	47%	53%	56%
Jio	100%	100%	100%	100%	100%	100%	100%	100%
Others	7%	5%	12%	14%	16%	20%	21%	23%
Total	22%	33%	47%	58%	64%	67%	71%	74%

Source: TRAI

Source: TRAI, JM Financial

Exhibit 11. 4G/5G penetration in India is still below global peers



Source: GSMA, JM Financial

Near-term delay in tariff hike to strengthen Bharti/Jio's pricing power and market share

The rationale for a potential delay in near-term tariff hike is primarily due to: **a)** rise in competitive intensity from Jio in its effort to get to its 500mn subscriber target (vs. 471mn at end-3QFY24), and **b)** inflation continuing to be a key concern for the government (telecom tariff weightage in CPI basket being 1.84%) as the country enters a busy election schedule over the next 3-4 months.

Exhibit 12. India entering a busy election schedule over next 3-4 months

State	Election Month
General Election	May-24
Andhra Pradesh	Jun-24
Arunachal Pradesh	Jun-24
Odisha	Jun-24
Sikkim	Jun-24

Source: Election commission, JM Financial.

Though we don't rule out the possibility of a near-term delay in the tariff hike, we believe a delayed tariff hike could be structurally positive for Jio and Bharti as this would: **a)** expedite the transition to a duopoly market (by further deterring VIL's fund-raise plan) and, hence, significantly boost subscriber market share for Jio and Bharti; and **b)** strengthen pricing power for Jio and Bharti to get to its long-term ARPU target of INR 300 (enabling telcos to earn a respectable RoCE of ~15%).

The management of Vodafone Idea Ltd (VIL) had said that it needs to make an annual payout of INR 413bn from Mar'26 post the end of the moratorium; our calculation suggests **VIL needs ARPU to jump sharply to ~INR 400 in FY27 (vs. ARPU of INR 145 in 3QFY24)** to meet its payment obligations.

Exhibit 13. VIL needs an ARPU of ~INR 400 in FY27 to meet payment obligations (vs. ARPU of INR 145 in 3QFY24)

INR bn, unless specified	FY27
Debt repayments	440
Capex	48
Total Cash Outflow	488
3QFY24 annualised pre-Ind AS EBITDA	86
Shortfall in cash to be bridged via higher ARPU	402
Incremental EBITDA margin (assumed)	60%
Required revenues	671
Subscriber base at end 3QFY24 (mn)	215
3QFY24 APRU (INR)	145
Hike in APRU required (INR)	260
Hike in APRU required (%)	179%
Required APRU (INR)	405

Source: Company, JM Financial.

Bharti and Jio's FCFF to grow from FY25 driven by capex normalisation and structural growth in ARPU

Bharti and Jio's managements are guiding for peak capex in FY24 and moderation in capex from FY25 with accelerated pan-India rollout of 5G likely to be achieved by Mar'24 and Dec'23 (achieved), respectively. Bharti's management has guided for India business capex for FY24 to be elevated, at the same level as the FY23 capex of ~INR 280bn, but it has guided for cumulative capex in the India business over 3 years (FY23-25) to be ~INR 750bn (at the past run-rate of ~INR 250bn p.a.). This implies Bharti's India business capex could decline to ~INR 200bn from FY25, though we continue to conservatively build in ~INR 275bn for FY25.

Jio's management also highlighted that capex is expected to moderate from FY25 with accelerated pan-India rollout of 5G achieved by Dec'23; we estimate Jio's capex to moderate to ~INR 310bn in FY25 vs. INR 450-500bn run-rate ex-spectrum in the last 2 years. Further, as discussed above, we continue to believe ARPU is on a structural uptrend given the consolidated industry structure and future investment needs. Hence, we expect Bharti's consolidated FCF to rise to ~INR 480bn in FY25 and INR 540bn in FY26 (from ~INR 330bn in FY24E) enabling it to accelerate reduction of its net debt. We expect Bharti to get to net cash position by FY29 vs. net debt of INR 2,021bn, including lease liability, at end-3QFY24.

Exhibit 14. Jio and Bharti's FCFF to grow from FY25 driven by capex normalisation and regular tariff hikes

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Bharti India Business													
Reported EBITDA	237,973	179,238	263,333	337,088	405,112	506,623	585,184	663,685	752,714	847,936	951,245	1,022,943	1,101,002
Cash Flow from Operations	222,197	200,207	261,161	326,769	424,719	486,970	530,763	596,435	660,324	730,570	805,207	848,933	912,611
Cash Capex (as per Cash Flow Statement)	-479,200	-242,025	-206,722	-195,647	-205,064	-280,568	-326,932	-273,853	-284,047	-303,038	-313,236	-332,935	-353,460
Free Cash Flow s (FCFF)	-257,003	-41,818	54,439	131,122	219,655	206,402	203,832	322,582	376,277	427,532	491,971	515,999	559,152
Bharti Consolidated													
Reported EBITDA	344,251	299,709	377,200	471,973	580,682	722,101	808,570	906,280	1,032,620	1,165,441	1,311,811	1,423,514	1,539,947
Cash Flow from Operations	314,577	200,702	181,287	482,051	550,165	653,247	714,077	827,667	907,648	1,007,724	1,111,131	1,177,181	1,259,687
Cash Capex (as per Cash Flow Statement)	-268,175	-259,746	-190,585	-246,706	-250,616	-259,681	-384,613	-348,690	-362,841	-392,398	-408,967	-439,417	-470,213
Free Cash Flow s (FCFF)	46,402	-59,044	-9,298	235,345	299,549	393,566	329,464	478,978	544,806	615,326	702,163	737,763	789,474
Net Debt/(Cash) including lease liability	971,882	1,101,205	1,188,817	1,482,810	1,604,473	2,114,547	2,003,120	1,730,595	1,373,042	919,553	346,483	-307,142	-1,034,750
Jio Standalone													
Reported EBITDA	67,655	151,025	216,540	314,610	378,570	470,340	527,531	644,775	823,476	983,574	1,164,850	1,269,581	1,383,809
Cash Flow from Operations	35,700	66,580	165,820	326,040	312,870	480,780	457,585	551,942	684,396	806,586	944,961	1,026,685	1,117,155
Cash Capex (as per Cash Flow Statement)	-357,860	-438,390	-508,040	-257,470	-287,760	-334,810	-424,971	-306,507	-300,864	-347,413	-401,646	-431,598	-463,868
Free Cash Flow s (FCFF)	-322,160	-371,810	-342,220	68,570	25,110	145,970	32,615	245,434	383,532	459,173	543,315	595,087	653,288
Net Debt/(Cash)	1,379,730	1,415,920	450,200	36,145	961,390	1,961,860	1,969,633	1,760,707	1,408,001	971,128	445,851	-133,328	-771,773

Source: Company, JM Financial.

Comparison of telcos 3QFY24 quarterly performance

Bharti's India business recorded 3.0% QoQ growth in revenue due to INR 5 QoQ improvement in ARPU to INR 208 aided by robust 4G net adds (of 7.4mn) and post-paid subs net adds (of 0.9mn) while Jio's revenue was up 2.6% QoQ on account of strong subs additions (of 11.2mn) while ARPU growth was flattish. However, VIL's revenue was down 0.4% QoQ despite 2.1% growth in its ARPU to INR 145 (vs INR 142 in 2QFY24); this is primarily due to continued higher subs loss and muted 4G subs additions in 3QFY24.

Bharti's India business EBITDA was also up 3.0% QoQ and, hence, its EBITDA margin was flat at 53.9%; Jio's EBITDA was up 2.8% QoQ while its EBITDA margin improved marginally (7bps) to 52.6%. VIL's EBITDA was also up 1.6% QoQ aided by lower network and other costs, leading to improvement in its EBITDA margin to 40.8% in 3QFY24 (vs. 40.0% in 2QFY24). Network costs was up 2.8% QoQ for Bharti and 1.3% QoQ for Jio as 5G rollouts continued during the quarter while VIL's network costs was down 4.2% QoQ. Further, Bharti and VIL witnessed rise of 13.7% and 4.5% QoQ respectively in their SG&A costs.

Bharti's overall subs base continued to see muted QoQ net addition (of 3.3mn to 346mn) due to outsized churn in lower ARPU segments post the sharp hike in entry level prepaid tariffs; however, Jio reported strong net subs addition (of 11.2mn to 471mn) for the 7th consecutive quarter (after reporting a decline from 2QFY22 to 4QFY22) driven by aggressive push of its JioBharat phone. VIL's overall subs-declining trend continued due to sustained loss of non-4G subs (at 4.6mn).

Subs churn continues to be high for the industry due to strong competitive intensity (rising 20bps QoQ to 4.3% for VIL in 3QFY24 while it remained flat QoQ at 2.9% for Bharti).

Bharti continues to see robust 7.4mn addition to high ARPU 4G subs in 3QFY24 (while Jio added 11.2mn 4G subs); VIL recorded 0.9mn net 4G subs addition.

Bharti's India wireless ARPU rose by INR 5 QoQ to NR 208 driven by improved subs mix and rise in AMDU on back of robust 4G net adds (of 7.4mn) and post-paid subs net adds (of 0.9mn). VIL's ARPU grew 2.1% QoQ to INR 145 due to improved subscriber mix, 4G subs gains and full quarter impact of entry level tariff hike taken during 2QFY24. However, **Jio's ARPU was flat QoQ at INR 182 despite 2.6% QoQ rise in its AMDU**. During RIL's 3QFY24 results concall, the management shared that unlimited 5G data offering (to ~90mn subs contributing to ~25% of total data traffic on Jio's network) impacted ARPU growth as these (5G) subs are not required to recharge for incremental data usage. Further, this was aided by significant low-ARPU subs addition driven by JioBharat phone. Bharti continues to lead with ARPU of INR 208 followed by Jio at INR 182 (or ~INR 172 ex-FTTH) and VIL at INR 145.

Data usage for Bharti increased 1.4% QoQ to 22GB/user/month in 3QFY24, while data usage for Jio rose 2.6% QOQ to 27.3GB/user/month in 3QFY24 (driven by unlimited 5G data offering and FTTH segment). However, data usage for VIL declined 2.8% QoQ to 15.4GB/user/month in 3QFY24.

Capex intensity was flattish QoQ for Bharti at INR 78bn for India business in 3QFY24 (though it moderated vs. INR 93.3bn in 1QFY24) and may remain elevated in a similar range in 4QFY24 as well with aggressive 5G rollouts (by Mar'24) and 4G rollout in rural areas. RIL doesn't give segment-wise capex, but RIL's consolidated capex also moderated to INR 301bn in 3QFY24 (vs. INR 388bn in 2QFY24) largely driven by moderation in 5G capex (given Jio achieved pan-India 5G rollout ahead of its Dec'23 target). However, capex intensity continues to be muted for VIL (at INR 3.3bn in 3QFY24) given delay in fund-raise.

Net debt further declined by INR 51bn QoQ for Bharti in 3QFY24 (to INR 1,424bn) while it rose by INR 20bn QoQ (to INR 2,146bn) for VIL.

Exhibit 15. Telcos' comparative matrix of historical operational performance

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY%	QoQ%
Revenue (INR Bn)									
Bharti (India business)	233	243	250	253	264	270	278	11.4%	3.0%
Jio (standalone)	220	226	231	235	241	249	255	10.6%	2.6%
VIL	104	106	106	105	107	107	107	0.5%	-0.4%
EBITDA (INR Bn)									
Bharti reported EBITDA (India business)	118.8	126.1	131.7	134.0	141.5	145.6	150.0	13.9%	3.0%
Jio (standalone)	110.5	116.0	120.7	123.2	126.6	130.6	134.2	11.2%	2.8%
VIL reported EBITDA	43.3	41.0	41.8	42.1	41.6	42.8	43.5	4.1%	1.6%
EBITDA margin (%)									
Bharti reported EBITDA margin (India business)	51.0%	51.8%	52.7%	53.1%	53.7%	53.9%	53.9%	119 bps	bps
Jio (standalone)	50.3%	51.3%	52.3%	52.4%	52.5%	52.5%	52.6%	26 bps	7 bps
VIL reported EBITDA margin	41.6%	38.6%	39.4%	40.0%	39.0%	40.0%	40.8%	140 bps	80 bps
Network Costs (INR Bn)									
Bharti reported EBITDA (India business)	49.2	50.8	51.2	52.2	52.0	55.7	57.2	11.7%	2.8%
Jio (standalone)	68.4	71.8	72.3	72.2	73.8	76.1	77.1	6.6%	1.3%
VIL reported EBITDA	23.5	27.2	26.0	24.0	25.4	25.1	24.0	-7.7%	-4.2%
SG&A Costs (INR Bn)									
Bharti reported EBITDA (India business)	18.5	20.3	22.6	21.5	24.2	21.0	23.9	5.8%	13.7%
VIL reported EBITDA	9.9	11.0	12.8	12.5	12.9	11.6	12.2	-5.3%	4.5%
Overall subscribers at EoP (mn)									
Bharti (India business)	327	328	332	335	339	342	346	4.0%	1.0%
Jio	420	428	433	439	449	460	471	8.8%	2.4%
VIL	240	234	229	226	221	220	215	-5.9%	-2.1%
Net overall subscriber addition (mn)									
Bharti (India business)	1.3	0.5	4.4	3.2	3.2	3.7	3.3		
Jio	9.7	7.7	5.3	6.4	9.2	11.2	11.2		
VIL	-3.4	-6.0	-5.8	-2.7	-4.5	-1.6	-4.6		
Postpaid subscribers at EoP (mn)									
Bharti (India business) - excluding IoT	18	18	19	20	20	21	22	17.6%	4.1%
Postpaid subs (as % of overall subs)									
Bharti (India business)	5.5%	5.6%	5.7%	5.9%	6.1%	6.3%	6.5%		
Total subscriber churn									
Bharti (India business)	3.0%	3.3%	3.0%	2.8%	2.8%	2.9%	2.9%		
VIL	3.5%	4.3%	4.4%	3.8%	3.9%	4.1%	4.3%		
4G subscribers at EoP (mn)									
Bharti (India business)	205	210	217	224	230	237	245	13.0%	3.1%
Jio	420	428	433	439	449	460	471	8.8%	2.4%
VIL	119	121	122	123	123	125	126	3.3%	0.7%
Net 4G subscriber addition (mn)									
Bharti (India business)	4.5	5.0	6.4	7.4	5.6	7.7	7.4		
Jio	9.7	7.7	5.3	6.4	9.2	11.2	11.2		
VIL	0.9	1.6	1.0	1.0	0.3	1.8	0.9		
ARPU (INR)									
Bharti (India business)	183	190	193	193	200	203	208	7.8%	2.5%
Jio (including INR 6-9 from FTTH)	176	177	178	178.8	180.5	181.7	181.7	2.0%	0.0%
VIL	128	131	135	135	139	142	145	7.4%	2.1%
AMDU (GB/month)									
Bharti (India business)	19.5	20.3	20.3	20.3	21.1	21.7	22.0	8.4%	1.4%
Jio	20.8	22.2	22.4	23.1	24.9	26.6	27.3	21.9%	2.6%
VIL	14.3	15.0	15.1	15.1	15.7	15.8	15.4	1.9%	-2.8%
Capex (INR Bn)									
Bharti (India business)	52.9	56.8	81.0	89.9	93.3	77.8	77.6		
VIL	8.4	12.1	7.5	5.6	4.5	5.2	3.3		
Net debt excluding lease liability (INR Bn)									
Bharti (consolidated)	1,195	1,573	1,548	1,527	1,488	1,475	1,424		
Jio		1,786		1,962		2,169			
VIL	1,982	2,201	2,227	2,090	2,115	2,127	2,146		
Net Debt (excl Lease liability) to EBITDA (x)									
Bharti (consolidated)	1.8	2.2	2.1	2.0	1.9	1.9	1.8		
Jio		3.8		4.0		4.2			
VIL	11.4	13.4	13.3	12.4	12.7	12.4	12.3		

Source: Company

Exhibit 16. Bharti Airtel – Key operational metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
India wireless									
Revenue (INR mn)	1,81,404	1,88,823	1,93,527	1,95,493	2,03,924	2,09,521	2,16,386	3.3%	11.8%
Post IND AS EBITDA (INR mn)	92,667	98,736	1,04,121	1,05,227	1,11,665	1,15,039	1,19,240	3.7%	14.5%
Post IND AS EBITDA margin (%)	51.1	52.3	53.8	53.8	54.8	54.9	55.1	20bps	130bps
Subscribers (mn)	327	328	332	335	339	342	346	1.0%	4.0%
Net subscriber addition (mn)	1.3	0.5	4.4	3.2	3.2	3.7	3.3		
Post-paid subscribers	18.1	18.3	19.0	19.7	20.5	21.5	22.3	4.1%	17.6%
Net post-paid subscriber addition (mn)	0.2	0.3	0.7	0.7	0.8	1.0	0.9		
Postpaid subscribers as % of total subs	5.5%	5.6%	5.7%	5.9%	6.1%	6.3%	6.5%		
4G subscribers	205	210	217	224	230	237	245	3.1%	13.0%
Net 4G subscriber addition (mn)	4.5	5.0	6.4	7.4	5.6	7.7	7.4		
4G subs as % of total subs	63%	64%	65%	67%	68%	69%	71%		
Total Data subscribers	213	219	225	233	238	246	253		
Net Data subscriber addition (mn)	4.8	5.8	6.2	7.4	5.5	7.7	7.3		
Data subs as % of total subs	65%	67%	68%	69%	70%	72%	73%		
AMDU (GB/month)	19.5	20.3	20.3	20.3	21.1	21.7	22.0	1.4%	8.4%
ARPU (INR/month)	183	190	193	193	200	203	208	2.5%	7.8%
Total subscriber Churn	3.0%	3.3%	3.0%	2.8%	2.8%	2.9%	2.9%		
Mobile service population coverage	95.7%	95.7%	95.8%	95.9%	96.0%	96.0%	96.1%		
Home Services (Broadband)									
Revenue (INR mn)	9,265	9,899	10,343	10,966	11,621	12,207	12,718	4.2%	23.0%
EBITDA (INR mn)	4,878	4,918	5,173	5,526	5,860	6,073	6,384	5.1%	23.4%
EBITDA margin (%)	52.6	49.7	50.0	50.4	50.4	49.8	50.2	45bps	18bps
Subscribers (mn)	4.79	5.21	5.64	6.05	6.46	6.93	7.29	5.2%	29.2%
ARPU (INR/month)	652	646	624	614	608	595	583	-2.0%	-6.6%
Telemedia (DTH)									
Revenue (INR mn)	7,482	7,288	7,390	7,290	7,403	7,515	7,837	4.3%	6.0%
EBITDA (INR mn)	4,779	4,352	4,132	4,081	4,264	4,212	4,285	1.7%	3.7%
EBITDA margin (%)	63.9	59.7	55.9	56.0	57.6	56.0	54.7	-137bps	-124bps
Subscribers (mn)	15.7	15.8	16.0	15.9	15.9	15.7	16.1	2.5%	1.0%
ARPU (INR/month)	158	155	154	153	154	159	163	2.5%	5.8%
Enterprise Business									
Revenue (INR mn)	43,656	46,646	47,779	47,850	50,545	51,100	51,948	1.7%	8.7%
EBITDA (INR mn)	16,945	18,146	19,050	19,680	19,979	20,578	20,625	0.2%	8.3%
EBITDA margin (%)	38.8	38.9	39.9	41.1	39.5	40.3	39.7	-57bps	-17bps
Airtel Africa									
Revenue (INR mn)	97,021	1,04,452	1,10,877	1,10,315	1,13,168	1,02,768	1,02,972	0.2%	-7.1%
EBITDA (INR mn)	47,381	51,252	54,468	54,180	56,031	51,158	50,590	-1.1%	-7.1%
EBITDA margin (%)	48.8	49.1	49.1	49.1	49.5	49.8	49.1	-65bps	1bps
Consolidated									
Revenue (INR mn)	3,29,968	3,47,287	3,60,620	3,62,939	3,77,883	3,73,742	3,83,393	2.6%	6.3%
EBITDA (INR mn)	1,67,216	1,77,957	1,87,108	1,89,820	1,99,468	1,98,441	2,02,546	2.1%	8.3%
EBITDA margin (%)	50.7	51.2	51.9	52.3	52.8	53.1	52.8	-27bps	94bps
PAT (INR mn)	16,069	21,452	15,882	30,056	16,125	13,407	24,422		

Source: Company, JM Financial.

Exhibit 17. Bharti Airtel – Debt and Capex details

Particulars (INR bn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
Long term debt, net of current portion	405	407	414	401	395	333	332	-0.3%	-20.0%
Short-term borrowings and current portion of long-term debt	167	173	172	135	128	162	161	-0.3%	-6.0%
Deferred payment liability	729	1,075	1,086	1,119	1,138	1,084	1,095	1.0%	0.9%
Gross debt excluding Lease Obligations	1,301	1,655	1,672	1,655	1,660	1,578	1,588	0.6%	-5.0%
Less: Cash and Cash Equivalents	76	65	61	72	59	44	54	22.6%	-11.9%
Less: Investments & Receivables	30	18	63	57	113	60	111	85.5%	77.3%
Net Debt excluding Lease Obligations	1,195	1,573	1,548	1,527	1,488	1,475	1,424	-3.5%	-8.1%
Lease Obligation	478	524	549	605	589	596	597	0.3%	8.8%
Net Debt including Lease Obligations	1,673	2,096	2,097	2,131	2,077	2,070	2,021	-2.4%	-3.7%
Net Debt (excl Lease liability) to EBITDA	1.79	2.21	2.07	2.01	1.87	1.86	1.76		
Consolidated Capex	64	70	93	114	105	92	93	0.7%	-0.4%

Source: Company, JM Financial.

Exhibit 18. Jio – Operational metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
Subscribers at EoP (mn)	420	428	433	439	449	460	471	2.4%	8.8%
Net subscriber addition (mn)	10	8	5	6	9	11	11		
ARPU (INR)	176	177	178	179	181	182	182	0.0%	2.0%
AMDU (GB/month)	20.8	22.2	22.4	23.1	24.9	26.6	27.3	2.6%	21.9%

Source: Company, JM Financial.

Exhibit 19. VIL – Operational details

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
Total subscribers (mn)	240	234	229	226	221	220	215	-2.1%	-5.9%
Net subscriber addition (mn)	-3.4	-6.0	-5.8	-2.7	-4.5	-1.6	-4.6		
Postpaid subscribers (mn)	20.2	20.9	21.9	22.4	22.8	23.1	23.7	2.6%	7.9%
Net postpaid subscriber addition (mn)	0.2	0.7	1.1	0.4	0.4	0.3	0.6		
Postpaid subscribers as % of total subs	8.4%	8.9%	9.6%	9.9%	10.3%	10.5%	11.0%	4.8%	14.6%
Total Data subscribers (mn)	135.7	135.2	135.3	136.2	135.9	137.2	137.4	0.1%	1.6%
Net data subscriber addition (mn)	0.0	-0.5	0.1	0.9	-0.3	1.3	0.2		
Data subs as % of total subs	56%	58%	59%	60%	61%	62%	64%		
Total 4G subscribers (mn)	119.0	120.6	121.6	122.6	122.9	124.7	125.6	0.7%	3.3%
Net 4G subscriber addition (mn)	0.9	1.6	1.0	1.0	0.3	1.8	0.9		
4G subs as % of total subs	50%	51%	53%	54%	56%	57%	58%		
Churn (%)	3.5%	4.3%	4.4%	3.8%	3.9%	4.1%	4.3%		
AMDU (Monthly data usage ,GB)	14.3	15.0	15.1	15.1	15.7	15.8	15.4	-2.8%	1.9%
ARPU (INR)	128	131	135	135	139	142	145	2.1%	7.4%

Source: Company, JM Financial.

Exhibit 20. VIL – Gross debt breakup

INR bn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
Gross debt (excluding lease liability)	1,991	2,203	2,229	2,093	2,118	2,128	2,150	1.0%	-3.6%
Govt debt	1,838	2,052	2,097	1,963	2,006	2,033	2,073		
Spectrum debt	1,166	1,367	1,398	1,307	1,337	1,351	1,382	2.3%	-1.1%
AGR debt *	672	686	699	656	669	682	690		
Bank debt	153	151	132	130	112	95	77	-18.7%	-41.6%
Cash and cash equivalents	9	2	2	2	3	1	3	165.8%	99.3%
Net debt (excluding lease liability)	1,982	2,201	2,227	2,090	2,115	2,127	2,146		
Net Debt (excl Lease liability) to reported EBITDA (x)	11.4	13.4	13.3	12.4	12.7	12.4	12.3		
'Net Debt (excl Lease liability) to cash or pre-Ind AS EBITDA	23.5	26.0	27.8	25.2	26.2	25.8	25.1		
Capex	8	12	8	6	5	5	3	-36.5%	-56.0%

Source: Company, JM Financial. * AGR dues were recognised as provisions before 4QFY21. This is a pro forma analysis assuming AGR dues were recognised as gross debt

MBB subs addition continues to be robust, driving steady ARPU and Revenue growth

Exhibit 21. Jio's active subs base continues to grow while Bharti witnesses slight decline recently; VIL's declining trend continues

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
VLR (%)													
Bharti	98.1	99.3	99.3	99.3	99.6	99.8	100.1	99.7	100.2	99.8	99.6	99.2	98.6
Vodafone-Idea	86.0	86.9	87.2	87.6	87.8	88.6	88.9	88.3	88.6	87.3	87.8	88.0	88.5
Jio	91.8	92.1	92.6	93.1	93.6	94.0	94.5	94.5	94.0	93.6	93.6	93.3	92.9
BSNL/MTNL and Others *	50.4	50.5	50.9	50.9	51.1	51.2	51.5	52.0	52.1	52.4	53.0	52.6	52.7
Total industry	88.6	89.3	89.7	90.0	90.4	90.8	91.3	91.2	91.3	90.9	91.0	90.8	90.6
Total EoP Active Subscriber base (mn)													
Bharti	359	365	366	367	370	370	373	373	376	376	376	375	375
Vodafone-Idea	210	210	209	208	208	207	205	203	202	199	200	198	199
Jio	388	391	394	398	403	407	412	415	416	417	420	422	423
BSNL/MTNL and Others	56	55	55	54	54	54	53	53	52	51	51	50	50
Total industry	1,012	1,021	1,025	1,028	1,034	1,038	1,043	1,043	1,046	1,043	1,047	1,045	1,046
MoM change in Active Subscriber base (mn)													
Bharti	1.0	6.0	1.3	0.8	2.4	0.7	2.4	0.1	3.2	-0.4	0.6	-1.2	-0.4
Vodafone-Idea	-2.0	-0.1	-0.5	-0.8	-0.4	-0.9	-1.8	-2.5	-0.4	-2.9	0.4	-1.4	0.1
Jio	-3.0	3.0	3.5	3.2	4.9	4.7	4.9	2.4	1.4	1.2	3.2	1.8	1.2
BSNL/MTNL and Others	-0.4	-0.3	-0.4	-0.4	-0.3	-0.4	-0.5	-0.5	-0.6	-0.9	-0.7	-0.7	-0.4
Total industry	-4.5	8.6	4.0	2.7	6.7	4.2	5.0	-0.6	3.6	-3.1	3.5	-1.4	0.5

Source: TRAI, JM Financial.

Exhibit 22. MBB subs addition: continues to be robust for Bharti and Jio, while uneven for VIL

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Total EoP MBB Subscriber base (mn)													
Bharti	225	229	232	234	236	238	240	242	244	247	251	251	255
Vodafone-Idea	123	124	125	124	125	124	124	125	124	126	127	126	127
Jio	423	425	426	427	430	433	436	439	442	446	449	452	456
BSNL/MTNL and Others	22	23	23	22	22	22	22	21	21	22	22	22	21
Total	794	800	806	807	813	817	822	826	833	840	848	851	859
MoM change in MBB Subscriber base (mn)													
Bharti	2.2	3.8	2.8	2.2	2.0	2.3	2.1	1.3	2.9	2.6	3.6	0.5	4.0
Vodafone-Idea	0.1	0.4	1.1	-1.3	1.1	-1.3	0.0	1.3	-0.6	1.3	1.0	-0.8	1.0
Jio	1.4	1.7	1.7	1.0	3.1	3.0	3.0	2.3	3.9	3.2	3.5	3.2	3.4
BSNL/MTNL and Others	-0.3	0.4	0.7	-1.5	0.4	-0.2	0.2	-0.9	-0.1	0.5	-0.0	-0.1	-0.5
Total	3.4	6.3	6.3	0.4	6.6	4.0	5.3	4.0	6.1	7.6	8.0	2.8	7.9
MBB Subscriber Proposition (%)													
Bharti	61.5%	62.2%	62.8%	63.2%	63.6%	64.2%	64.5%	64.6%	65.1%	65.6%	66.3%	66.4%	67.1%
Vodafone-Idea	50.6%	51.3%	52.1%	52.0%	52.7%	52.9%	53.5%	54.4%	54.4%	55.0%	55.6%	55.7%	56.4%
Jio	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%
BSNL/MTNL and Others	20.2%	20.7%	21.6%	20.4%	21.0%	21.0%	21.5%	21.0%	21.3%	22.3%	22.8%	22.9%	22.6%
Total	69.4%	70.0%	70.5%	70.6%	71.1%	71.5%	71.9%	72.3%	72.6%	73.2%	73.7%	73.9%	74.4%

Source: TRAI, JM Financial. Note: MBB means Mobile Broadband

Exhibit 23. Jio maintains lead over Bharti on subs additions; VIL continues to lose subs

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Total Subscriber base (mn)													
Bharti	366	368	369	370	371	371	372	374	375	376	378	378	380
Vodafone-Idea	244	241	240	238	237	234	231	230	228	228	228	225	224
Jio	423	425	426	427	430	433	436	439	442	446	449	452	456
BSNL/MTNL and Others	110	109	108	107	106	105	104	102	100	98	96	95	94
Total industry	1,143	1,143	1,143	1,142	1,144	1,143	1,143	1,144	1,146	1,148	1,150	1,151	1,154
MoM change in subscriber base (mn)													
Bharti	1.1	1.5	1.3	1.0	1.0	0.1	1.3	1.4	1.5	1.2	1.3	0.4	1.7
Vodafone-Idea	-1.8	-2.5	-1.4	-2.0	-1.2	-3.0	-2.8	-1.3	-1.3	-0.0	-0.7	-2.0	-1.1
Jio	1.4	1.7	1.7	1.0	3.1	3.0	3.0	2.3	3.9	3.2	3.5	3.2	3.4
BSNL/MTNL and Others	-1.2	-0.9	-1.5	-1.0	-0.9	-0.9	-1.5	-2.0	-1.4	-2.2	-2.3	-0.6	-0.9
Total industry	-0.5	-0.1	0.1	-1.1	2.0	-0.8	0.1	0.4	2.7	2.2	1.7	0.8	3.2
Subscriber market share (%)													
Bharti	32.0%	32.2%	32.3%	32.4%	32.4%	32.5%	32.6%	32.7%	32.7%	32.8%	32.8%	32.9%	32.9%
Vodafone-Idea	21.3%	21.1%	21.0%	20.8%	20.7%	20.4%	20.2%	20.1%	19.9%	19.9%	19.8%	19.6%	19.4%
Jio	37.0%	37.1%	37.3%	37.4%	37.6%	37.9%	38.2%	38.4%	38.6%	38.8%	39.1%	39.3%	39.5%
BSNL/MTNL	9.4%	9.3%	9.2%	9.1%	9.1%	9.0%	8.9%	8.7%	8.6%	8.4%	8.1%	8.1%	8.0%

Source: TRAI, JM Financial. Note: TRAI reported numbers are not directly comparable with those reported by Bharti/VIL.

Exhibit 24. Jio and Bharti witness slight moderation in their robust FTTH additions

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Total FTTH subscriber base (mn)													
BSNL	4.02	4.11	4.18	3.54	3.60	3.63	3.61	3.66	3.68	3.71	3.71	3.75	3.80
Bharti	5.56	5.71	5.85	5.98	6.12	6.25	6.40	6.54	6.71	6.87	7.03	7.17	7.28
Jio	7.38	7.65	7.84	8.02	8.33	8.65	8.92	9.17	9.40	9.59	9.75	9.97	10.15
Others	14.9	14.9	15.2	15.3	15.4	15.4	15.5	15.7	15.9	16.2	16.4	16.5	16.6
Total	31.83	32.35	33.11	32.82	33.49	33.89	34.47	35.10	35.70	36.41	36.87	37.35	37.79
MoM change in FTTH subscriber base (mn)													
BSNL	0.07	0.09	0.07	-0.64	0.06	0.03	-0.02	0.05	0.02	0.03	0.00	0.04	0.05
Bharti	0.15	0.15	0.14	0.13	0.14	0.13	0.15	0.14	0.17	0.16	0.16	0.14	0.11
Jio	0.26	0.27	0.19	0.18	0.31	0.32	0.27	0.25	0.23	0.19	0.16	0.22	0.18
Others	-	0.01	0.36	0.04	0.16	-0.08	0.18	0.19	0.18	0.33	0.14	0.08	0.10
Total	0.48	0.52	0.76	-0.29	0.67	0.40	0.58	0.63	0.60	0.71	0.46	0.48	0.44

Source: TRAI, JM Financial.

Exhibit 25. Jio and Bharti continue to gain overall subscriber market share at the expense of BSNL and VIL

Subscriber Market Share (%)	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Metro													
Bharti	28.6	28.6	28.8	28.9	28.9	29.1	29.2	29.3	29.3	29.3	29.4	29.4	29.4
Vodafone-Idea	30.7	30.5	30.2	30.2	30.2	30.0	29.7	29.5	29.4	29.5	29.4	29.2	29.2
Jio	36.3	36.5	36.6	36.6	36.8	37.1	37.2	37.5	37.6	37.5	37.5	37.8	37.8
BSNL/MTNL and Others *	4.4	4.4	4.4	4.4	4.0	3.9	3.9	3.7	3.7	3.7	3.7	3.6	3.6
Circle A													
Bharti	31.9	32.0	32.1	32.2	32.2	32.3	32.4	32.6	32.8	32.8	32.9	32.9	32.9
Vodafone-Idea	22.2	21.9	21.7	21.5	21.4	21.1	20.9	20.8	20.7	20.6	20.4	20.3	20.1
Jio	36.6	36.7	36.9	37.0	37.2	37.5	37.8	38.1	38.4	38.8	39.1	39.3	39.5
BSNL/MTNL and Others *	9.4	9.3	9.3	9.3	9.2	9.1	8.8	8.4	8.1	7.9	7.6	7.5	7.5
Circle B													
Bharti	29.1	29.2	29.3	29.5	29.5	29.5	29.6	29.6	29.6	29.7	29.7	29.8	29.8
Vodafone-Idea	23.5	23.3	23.3	23.1	23.0	22.7	22.4	22.3	22.1	22.1	22.0	21.8	21.5
Jio	36.8	37.0	37.1	37.2	37.4	37.7	38.0	38.1	38.4	38.6	38.8	39.0	39.3
BSNL/MTNL and Others *	10.6	10.5	10.4	10.2	10.2	10.1	10.0	10.0	9.9	9.7	9.4	9.4	9.3
Circle C													
Bharti	41.9	42.1	42.3	42.4	42.5	42.5	42.5	42.6	42.5	42.6	42.7	42.7	42.9
Vodafone-Idea	8.3	8.1	8.0	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7
Jio	38.8	38.9	39.2	39.3	39.5	39.7	39.9	40.0	40.2	40.4	40.7	40.8	41.0
BSNL/MTNL and Others *	11.0	10.9	10.5	10.5	10.4	10.4	10.4	10.3	10.2	10.0	9.7	9.7	9.4
All India													
Bharti	32.0	32.2	32.3	32.4	32.4	32.5	32.6	32.7	32.7	32.8	32.8	32.9	32.9
Vodafone-Idea	21.3	21.1	21.0	20.8	20.7	20.4	20.2	20.1	19.9	19.9	19.8	19.6	19.4
Jio	37.0	37.1	37.3	37.4	37.6	37.9	38.2	38.4	38.6	38.8	39.1	39.3	39.5
BSNL/MTNL and Others *	9.7	9.6	9.4	9.4	9.3	9.2	9.1	8.9	8.7	8.5	8.3	8.3	8.1

Source: TRAI, JM Financial.

Exhibit 26. Jio continues to gain active subs market share as well from other telcos

Active Subscriber Market Share (%)	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Metro													
Bharti	33.2	33.7	33.3	33.1	33.3	32.8	33.1	33.1	33.5	32.8	32.9	32.6	32.0
Vodafone-Idea	26.1	25.9	25.9	25.9	25.5	25.4	25.1	24.7	24.3	23.8	23.6	24.2	24.9
Jio	38.9	38.7	39.1	39.4	39.5	40.1	40.2	40.3	40.7	41.7	41.9	41.8	41.6
BSNL/MTNL and Others *	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.9	1.6	1.7	1.6	1.5	1.5
Circle A													
Bharti	35.1	35.2	35.3	35.1	35.5	35.4	35.6	35.5	35.7	36.0	36.1	36.0	35.6
Vodafone-Idea	21.9	21.6	21.4	21.3	21.2	21.0	20.8	20.3	20.2	20.2	20.0	19.9	19.9
Jio	37.1	37.4	37.5	37.8	37.5	37.9	38.1	38.7	38.7	38.5	38.7	38.9	39.4
BSNL/MTNL and Others *	6.0	5.9	5.8	5.7	5.7	5.7	5.6	5.4	5.4	5.3	5.2	5.2	5.1
Circle B													
Bharti	32.6	32.9	32.9	32.9	32.5	32.6	32.5	32.7	32.8	32.8	32.7	32.8	32.9
Vodafone-Idea	23.6	23.4	23.3	23.1	22.9	22.9	22.6	22.5	22.4	21.9	22.1	21.8	21.7
Jio	38.0	38.0	38.2	38.4	39.0	39.1	39.5	39.5	39.5	40.0	40.0	40.2	40.2
BSNL/MTNL and Others *	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.2	5.2	5.3	5.2	5.2	5.1
Circle C													
Bharti	44.8	45.3	45.5	45.6	45.6	45.3	45.3	45.2	45.6	45.8	45.7	45.3	45.7
Vodafone-Idea	8.0	7.9	7.7	7.6	7.6	7.4	7.3	7.3	7.1	6.9	6.8	6.7	6.9
Jio	41.3	41.0	41.1	41.1	41.3	41.9	42.2	42.3	42.1	42.1	42.5	43.2	42.7
BSNL/MTNL and Others *	5.8	5.8	5.7	5.6	5.5	5.4	5.2	5.2	5.2	5.1	5.0	4.9	4.7
All India													
Bharti	35.5	35.8	35.7	35.7	35.7	35.7	35.7	35.7	35.9	36.0	35.9	35.9	35.8
Vodafone-Idea	20.7	20.5	20.4	20.3	20.1	19.9	19.7	19.4	19.3	19.1	19.1	19.0	19.0
Jio	38.3	38.3	38.5	38.7	38.9	39.2	39.5	39.7	39.7	40.0	40.1	40.4	40.5
BSNL/MTNL and Others *	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7

Source: TRAI, JM Financial.

Management commentary

Bharti 3QFY24 concall key takeaways – (Bharti [3QFY24](#) result update)

Reiterated that strong ARPU growth of INR 5 QoQ to INR 208 in 3QFY24 was driven by multiple levers: **a**) feature phone to smartphone upgrades; **b**) pre-paid to post-paid upgrade (ARPU rises by 70% due to this); **c**) data monetisation as customers opt for extra data or upgrade to higher limit plans as they hit their daily data limits; **d**) international roaming.

But reiterated that major improvement in ARPU will be driven by tariff hikes; tariff hike is more of a question of 'when' rather than 'if'.

Management reiterated that peak capex will be in FY24 before moderating from FY25 onwards with decline in radio capex once 5G and rural rollout is attained by Mar'24; while transportation and core capex in mobility business and overall capex in other businesses (home broadband, DTH etc.) may continue at the same pace, data centre capex can be uneven.

However, the management continued to provide no guidance on FY25 capex but said long-term capex to sales ratio should stabilise ~15-20% (in line with its global peers); but added that it will also depend on quantum of tariff hikes as well.

The management said there is no hard target on consolidated net debt to EBITDA ratio, but expects it to decline to around 2x in the near to medium term vs. 2.49x at end-3QFY24 (including lease liability). It said that it hadn't framed any dividend policy yet and will frame it only after the deleveraging is done to a comfortable level.

On pending rights issue proceeds, the management said there is no necessity for calling the pending right issues money currently, but it's a good optionality that is available.

Reiterated that Bharti's non-standalone (NSA) architecture has saved significant capex and opex and has provided better experience and better coverage. Bharti will switch to SA in the next few years depending on how the traffic grows (for example FWA can move to SA), but as of now that is not the case and the company doesn't want to do unnecessary capex just by getting into a network rollout race.

Bharti has around 65mn 5G subscribers currently (vs. 55mn during 2QFY24 concall) vs. 90mn for Jio. Further, it highlighted that 5G-enabled devices are currently around 15-16% of total smartphones and expects it to rise to 25% by Mar'25; 5G shipments are at 60-80% of total smartphone shipments.

Limited 5G monetisation opportunities currently, except for small monetisation opportunities via FWA and from some enterprise 5G network. Bharti is not in favour of differential 5G pricing as it will limit 5G penetrations; hence, 5G monetisation is most likely via overall tariff hike.

Reiterated that moderation in Enterprise segment revenue is due to slowdown in global business on account of decline in demand for bandwidth, CPaaS and other related services, especially from global OTT players. However, domestic business growth continues to be strong, driven by IoT opportunities.

Some moderation in home broadband subs addition (359k in 3QFY24 vs. 471k in 2QFY24) due to removal of entry level INR 199 back-up broadband plan.

Reiterated that it doesn't have any immediate plan to stop its 2G services as 2G subs, primarily aged and economically weaker subscriber base may find it difficult to upgrade to smartphones. However, the contribution from 2G services to Bharti's India wireless revenue has come down to 17% (in a few major circles like Mumbai, Maharashtra and Gujarat, such contribution is limited to single digit only). It further expected that 2G services will become insignificant in the next 1 year.

Jio 3QFY24 concall key takeaways – (RIL [3QFY24](#) result update)

The flattish ARPU is due to majority of subs addition driven by the low-ARPU JioBharat phone; JioBharat has over 45% market share in sub-INR 1,000 segment. This has led to Jio's wireless rural net addition jumping to 5.2x that of the nearest competitor.

Jio dominated the market with net port-in being 2.5x that of the nearest competitor.

Pan-India 5G rollout successfully completed ahead of Dec'23 schedule. Jio has seen ~90mn subs migrate to its 5G network (vs ~70mn at end 2QFY24); and Jio's 5G network is now carrying almost 25% of Jio's wireless data traffic.

Jio continues to gain majority share of new 5G devices because of its superior coverage and capacity. **Jio 5G availability is 3x that of the nearest competitor, and overall download speed is 2x that of the nearest competitor.**

JioAirFiber is now available in over 4,000 cities/towns, with pan-India coverage expected in 1HCY24. Jio AirFiber sees extensive demand in underserved tier 3/ tier 4 towns and rural markets; content bundling is driving ~30% higher per capita usage on JioAirFiber vs. JioFiber.

Consistent enterprise market share gains for Jio; 33% of large enterprises use two or more Jio services and ~50% branches of top 10 banks in India run on the Jio network.

VIL 3QFY24 concall key takeaways – (VIL [3QFY24](#) review)

Fund-raising discussions are in progress with investors; however, can't comment on this further given the stage and nature of these discussions.

The management said to arrest subscriber decline it needs to expand 4G coverage (and some 5G rollout). However, any **major jump in capex will only be likely once funding plan is in place** and will be focused on both expanding 4G coverage (and 5G rollout).

Of INR 53.9bn debt payable by end-Dec'24, **the management said INR 16bn is on account of OCDs that are payable if equity conversion doesn't take place.** This debt payment also includes INR 5.3bn of spectrum principal payment and over INR 32bn of bank debt. **Further, for FY26, payment due to government will be INR 260-270bn and bank debt INR 18bn.**

The management said promoter funding support of INR 20bn is still available in case the company needs it in future.

The management expects a marginal improvement in free cash flows after the majority of bank debt is repaid in the coming quarters. It said that it **would maintain a balance between additional capex spending and vendor dues payment while utilising such improved cash flows till the funding is secured.** However, once the funding is secured, it reiterated that the raised capital will be used to make required investments to strengthen its operations and the resultant improved cash flows will be used to pay the vendor dues.

VIL has **extended hike in tariff/reduced benefits for entry level prepaid plans to 16 (from 15 circles in 2QFY24)** and will intervene in other markets gradually depending on the market situation.

Reduction in network cost in 3QFY24 was due to seasonal factors; also due to some reduction in energy cost in a few circles.

Expect to close the entire 3G network by FY25 so that 3G spectrum can be re-farmed for 4G.

INR 7.6bn gain was on account of merger-related extra demand raised by DoT for spectrum; this will be used to adjust against tax payable to the government.

Bharti and Jio's EBITDA and valuation sensitivity to ARPU

The exhibits below show the sensitivity of Bharti and Jio's EBITDA and valuation to ARPU and subscriber growth.

Every increase/decrease in ARPU by INR 10 results in increase/decrease in: **a)** Bharti's consolidated FY25 EBITDA by ~0.8% and valuation by INR 26/share; and **b)** Jio's FY25 EBITDA by ~1% and valuation by INR 12/share.

Similarly, every increase/decrease in subscribers by 10mn results in increase/decrease in: a) Bharti's consolidated FY25 EBITDA by ~2.3% and valuation by INR 28/share; and b) Jio's FY25 EBITDA by ~4.8% and valuation by INR 19/share.

Exhibit 27. Bharti -Sensitivity of FY25 consolidated EBITDA (INR 906bn in base case) & Valuation (INR 1,265/share in base case) to FY25E ARPU and subscriber base (mn)

FY25 consolidated EBITDA (INR Bn) sensitivity								Valuation per share (INR/share) sensitivity								
ARPU (INR)	Subscriber base (mn)							ARPU (INR)	Subscriber base (mn)							
	327	337	347	357	367	377	387		327	337	347	357	367	377	387	
	201	826	846	866	886	906	926	946	201	1,109	1,136	1,162	1,188	1,214	1,241	1,267
	211	832	852	872	893	913	933	953	211	1,133	1,160	1,187	1,214	1,241	1,268	1,295
	221	838	859	879	899	920	940	961	221	1,156	1,184	1,212	1,240	1,267	1,295	1,323
	231	844	865	886	906	927	948	969	231	1,180	1,208	1,237	1,265	1,294	1,322	1,351
	241	850	871	892	913	934	955	976	241	1,204	1,233	1,262	1,291	1,320	1,349	1,378
	251	856	877	899	920	941	963	984	251	1,227	1,257	1,287	1,317	1,347	1,376	1,406
	261	862	883	905	927	948	970	992	261	1,251	1,281	1,312	1,343	1,373	1,404	1,434

Source: JM Financial

Exhibit 28. Jio - Sensitivity of Jio's FY25 EBITDA (INR 645bn in base case) & Jio's Valuation (INR 888/share in base case) to FY25E ARPU and subscriber base (mn)

Jio FY25 EBITDA (INR bn) sensitivity								Jio Valuation per share (INR) sensitivity								
ARPU (INR)	Subscriber base (mn)							ARPU (INR)	Subscriber base (mn)							
	459	469	479	489	499	509	519		459	469	479	489	499	509	519	
	177	535	565	595	625	656	686	716	177	796	814	832	851	869	887	906
	187	540	571	601	632	662	693	723	187	807	826	844	863	882	900	919
	197	546	577	607	638	669	700	731	197	818	837	856	875	895	914	933
	207	551	582	614	645	676	707	738	207	830	849	868	888	907	927	946
	217	557	588	620	651	683	714	746	217	841	861	880	900	920	940	960
	227	562	594	626	658	689	721	753	227	852	872	893	913	933	953	973
	237	568	600	632	664	696	728	760	237	864	884	905	925	945	966	986

Source: JM Financial

Exhibit 29. Bharti Airtel – 1-year SoTP DCF valuation of INR 1,265/share

Particulars, Enterprise Values unless mentioned		Valuation (INR bn)	(INR / share)	Implied FY26 EV/EBITDA	Implied FY26 PE
India business					
Wireless		5,847	1022	9.6	
Enterprise		952	166	8.1	
DTH		6	1	0.4	
Broadband		554	97	13.9	
Total India business EV		7,360	1,286	9.4	
India net debt		-888	-155		
Total India subsidiary Equity value		6,471	1,131		
Indus Towers Equity value (47.95% share of Bharti)		224	39		
Total India business Equity value including Indus Towers		6,696	1,170		
Africa business					
Africa Business Standalone EV		970	169	3.8	
Less: Africa business Net Debt		4	1		
Africa business Equity value (Airtel's 56% share)		546	95		
Total Equity value for Bharti Airtel		7,241	1,265	8.3	24.7

Source: Company, JM Financial.

Exhibit 30. Bharti Airtel – 3-year SoTP DCF valuation of INR 1,710/share, implying 15% IRR

Particulars, Enterprise Values unless mentioned	Valuation		
	Valuation (INR bn)	(INR / share)	Implied FY28 EV/EBITDA
India business			
Wireless	6,897	1,205	9.2
Enterprise	1,076	188	6.8
DTH	6	1	0.4
Broadband	696	122	11.9
Total India business EV	8,674	1,516	8.8
India net debt	-35	-6	
Total India subsidiary Equity value	8,639	1,509	
Indus Towers Equity value (47.95% share of Bharti)	224	53	
Total India business Equity value including Indus Towers	8,863	1,563	
Africa business			
Africa Business Standalone EV	1294	226	3.8
Less: Africa business Net Debt	225	37	
Africa business Equity value (Airtel's 56% share)	851	147	
Total Equity value for Bharti Airtel	9,714	1,710	7.8
			19.5

Source: Company, JM Financial.

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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