

Fund infusion remains key, as subs loss persists

Telecommunications ▶ Result Update ▶ January 30, 2024

TARGET PRICE (Rs) : NA

Vodafone Idea (Vi)'s revenue was down 0.4% QoQ, missing consensus/our estimates. EBITDA margin was up by 80bps QoQ (a beat), led by lower network cost. Though 2% QoQ ARPU improvement was the key positive, subscriber loss persisting remains the main worry. Despite promoters' readiness to contribute added equity (up to Rs20bn), and Company's ongoing discussions on funding by external investors, the fundraise remains elusive. Vi needs funding for capex (for the 5G launch) to arrest the slide in number of subscribers. We cut FY24E/FY25E/FY26E revenue by 0.9%/1.6%/0.7%; also, we increase our margin estimate, adjusting for Q3 results. We have 'No Rating' on Vi, amid concerns on continued mkt-share loss, delay in fundraise, and possibility of equity dilution. Clarity on the fundraise and tariff hike is a key positive trigger.

Vodafone Idea: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	385,155	421,772	427,786	457,915	514,156
EBITDA	160,361	168,170	171,347	185,693	209,111
Adj. PAT	(284,095)	(292,787)	(322,270)	(304,779)	(286,714)
Adj. EPS (Rs)	(5.8)	(6.0)	(6.5)	(6.3)	(5.9)
EBITDA margin (%)	41.6	39.9	40.1	40.6	40.7
EBITDA growth (%)	(5.4)	4.9	1.9	8.4	12.6
Adj. EPS growth (%)	0.0	0.0	0.0	0.0	0.0
RoE (%)	56.7	43.0	35.8	25.2	19.0
RoIC (%)	(4.9)	(4.3)	(4.2)	(3.6)	(2.6)
P/E (x)	(2.5)	(2.4)	(2.2)	(2.3)	(2.5)
EV/EBITDA (x)	17.5	18.3	18.6	17.7	16.0
P/B (x)	(1.1)	(0.9)	(0.7)	(0.5)	(0.4)
FCFF yield (%)	4.0	4.3	4.5	4.8	6.5

Source: Company, Emkay Research

Q3 result: ARPU improves; however, subscriber loss rate remains key concern

Revenue was down 0.4% QoQ (missing estimates), while EBITDA margin was up by 80bps QoQ (at a beat) led by lower network cost. PAT loss contracted, backed by EBITDA growth and 'exceptional item'. Key positives for the quarter were the 2% QoQ improvement in ARPU (led by change in entry-level plan and subscriber upgrades) and further decline in bank debt to Rs60.5bn (from Rs79bn QoQ). Key negatives include: i) pickup in subscriber loss rate (4.6mn QoQ vs. 1.6mn in Q2); ii) 4G data user net-adds moderating to 0.9mn QoQ (vs. 1.8mn in Q2); iii) data per user declining 4% QoQ as users engaged in watching the cricket world cup on other mediums; iv) Vi's capex moderating to Rs3.3bn (vs. Rs5.2bn in Q2). Also, Vi's net debt (ex-leases) was up by Rs20bn QoQ to Rs2,146bn, led by increase in deferred spectrum obligations.

Reduced cash constraint till H1FY26; dilution risk sticks; retain 'No Rating'

Vi's bank debt at the end of Q3FY24 stands at Rs60.5bn (excluding Rs16bn of OCD to ATC). Company has to pay ~Rs32bn in bank debt in the next one year. Rs20bn financial support (when received) from the promoters will reduce cash constraint for Vi till H1FY26, as bank debt obligation has reduced (Exhibit 3). Vi needs to protect its subscriber base/revenue share in key circles for generating cash, as its active subscriber market share is now below 20% (Exhibit 5). Vi will need to make a payment of ~Rs300bn in H2FY26 and ~Rs450bn from FY27, for spectrum/AGR dues and capex. This may require tariff hike as well as further equity conversion of Rs174bn by the GoI each year, from FY27. Vi may require ARPU to increase from Rs145 to ~Rs230 by FY27-end, which looks achievable, given: 1) another round of tariff hike looking imminent post elections; 2) Vi likely converting its ~95mn 2G users to 4G; and 3) reduced validity on the Rs99 minimum recharge pack (from 28 days to 15) in 16 circles. We have 'No Rating' on Vi, amid concerns around continued market-share loss, delays in fundraise, and possibility of equity dilution. Clarity on the fundraise and tariff hike is the key positive trigger.

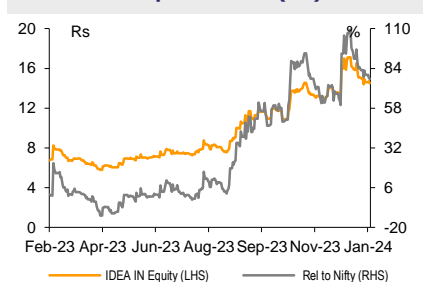
Target Price – 12M	Dec-24
Change in TP (%)	NA
Current Reco.	NOT RATED
Previous Reco.	NR
Upside/(Downside) (%)	NA
CMP (30-Jan-24) (Rs)	14.5

Stock Data	Ticker
52-week High (Rs)	18
52-week Low (Rs)	6
Shares outstanding (mn)	48,679.7
Market-cap (Rs bn)	706
Market-cap (USD mn)	8,493
Net-debt, FY24E (Rs mn)	2,476,519
ADTV-3M (mn shares)	421
ADTV-3M (Rs mn)	6,173.3
ADTV-3M (USD mn)	74.3
Free float (%)	-
Nifty-50	21,522
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	50.4
FPIs/MFs (%)	2.3/3.1

Price Performance

(%)	1M	3M	12M
Absolute	(9.4)	24.5	113.2
Rel. to Nifty	(8.5)	10.7	74.9

1-Year share price trend (Rs)



Santosh Sinha

santosh.sinha@emkayglobal.com
+91 22 6624 2414

Kevin Shah

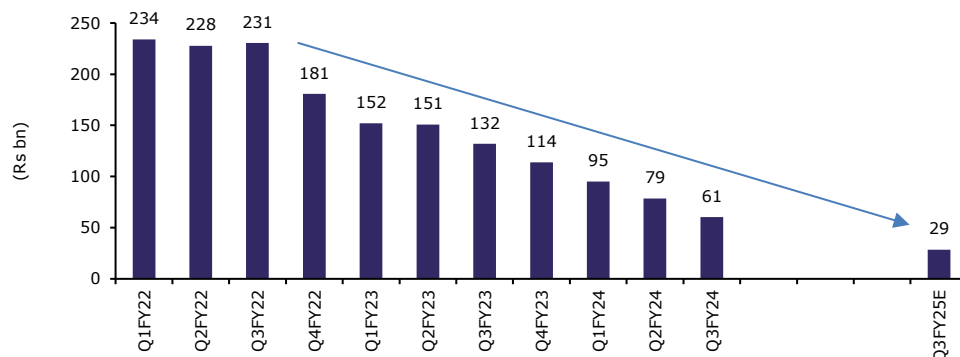
kevin.shah@emkayglobal.com
+91 22 6612 1340

Bank debt has declined; no update on funding

Vi's bank debt servicing burden to decline further: Vi's bank debt at the end of Q3FY24 stood at Rs60.5bn (excluding Rs16bn of OCD to ATC). Company has to pay ~Rs32bn in bank debt in the next one year. This will lead to bank-related debt declining to Rs29bn by the end of Q3FY25E.

Discussions on funding are ongoing with investors, though the management refused to respond to any queries on this subject, given the nature of such discussions.

Exhibit 1: Bank debt burden reducing for Vi



Source: Company, Emkay Research

Exhibit 2: Deferred spectrum and AGR liabilities are bulk of the debt for Vi

Vodafone Idea - Consol. (Rs bn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Deferred spectrum payment	1,086	1,113	1,139	1,166	1,367	1,398	1,307	1,337	1,351	1,382
Bank Loan	228	231	181	152	151	132	114	95	79	61
OCD issuance to ATC							16	17	16	17
AGR liability	634	646	660	673	686	699	656	669	682	690
Gross debt (ex-lease)	1,948	1,990	1,979	1,991	2,203	2,229	2,093	2,118	2,128	2,150
Cash & cash equivalents	3	15	15	9	2	2	2	3	1	3
Net debt (ex-lease)	1,945	1,975	1,964	1,982	2,201	2,227	2,090	2,115	2,127	2,146

Source: Company

Cash constraint to reduce till H1FY25, with fund infusion from promoters

Our calculations reveal that with Rs20bn commitment from promoters and internal accruals of Rs247bn of cash EBITDA over FY24-H1FY26, Vi may be able to generate sufficient funds for repaying its obligations till H1FY26, before the moratorium on spectrum payment ends. During this period, we assume capex to be in line with 9MFY24 levels (Rs17bn per year, with no 5G rollout). We also assume refinancing of Rs15bn of debt in FY24E, to meet the cash shortfall (in case there is no external equity or debt funding). We assume this debt to be repaid in FY25. We have excluded payments related to working capital from our analysis. [Please refer to our earlier note for detailed analysis on the fundraise, 5G launch possibilities, and equity dilution risk for Vi ([link](#)).]

We highlight that though promoters have committed to Rs20bn assistance for Vi, the company has yet to receive this amount, which is expected to come in the form of the equity funding. Nevertheless, such support is available for Vi in case the company requires it for meeting its impending obligations.

Cash constraint to increase from H2FY26: We expect the cash constraint to increase for Vi from H2FY26, when the moratorium on spectrum payment ends. As per Vi, Company will need to repay Rs300bn in dues in FY26. We expect a cash shortfall of Rs230bn for Vi in H2FY26, if no equity conversion is done by the Government.

Exhibit 3: Cash position to improve for Vi, post funding by the promoter*

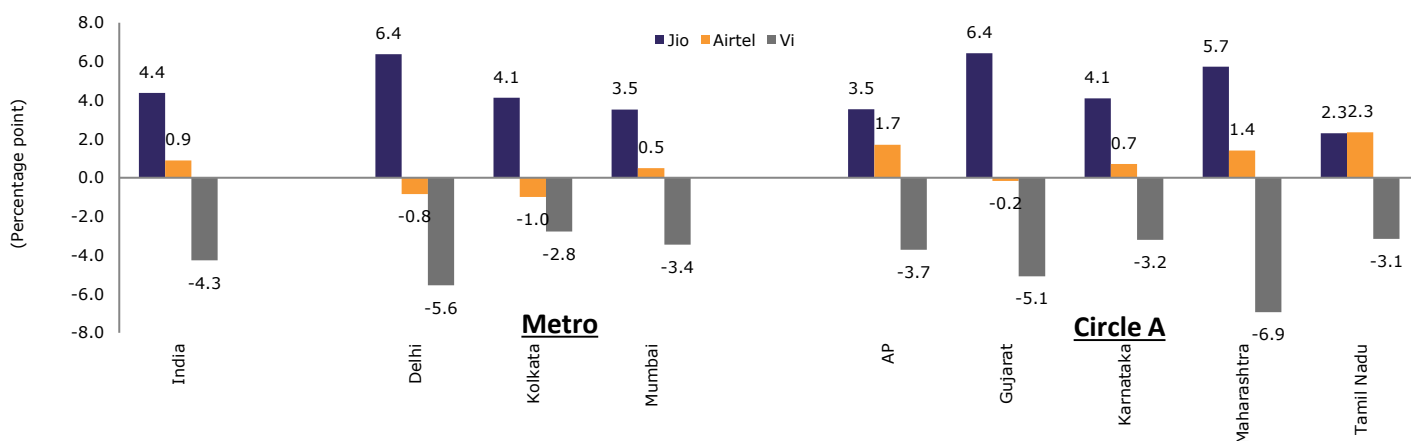
(Rs bn)	FY24E	FY25E	H1FY26	H2FY26	FY24-H1FY26
Reported EBITDA	171	186	104	106	461
Adjustment for IndAS-116	82	86	45	45	213
Cash EBITDA	89	100	58	60	247
Infusion by promoters	20				20
Payment for spectrum dues	(18)	(18)	(18)	(282)	(55)
Bank debt repayment	(77)	(37)	-	-	(114)
Assumed refinancing	15	(15)	-	-	-
Interest repayment on bank loan	(7)	(2)	0	0	(10)
Capex (extrapolating 9MFY24 capex)	(17)	(17)	(9)	(9)	(43)
Cash surplus (shortfall)	4	10	31	-230	45

Source: Company, Emkay Research; Note: *Still awaited

Subscriber loss remains the key concern

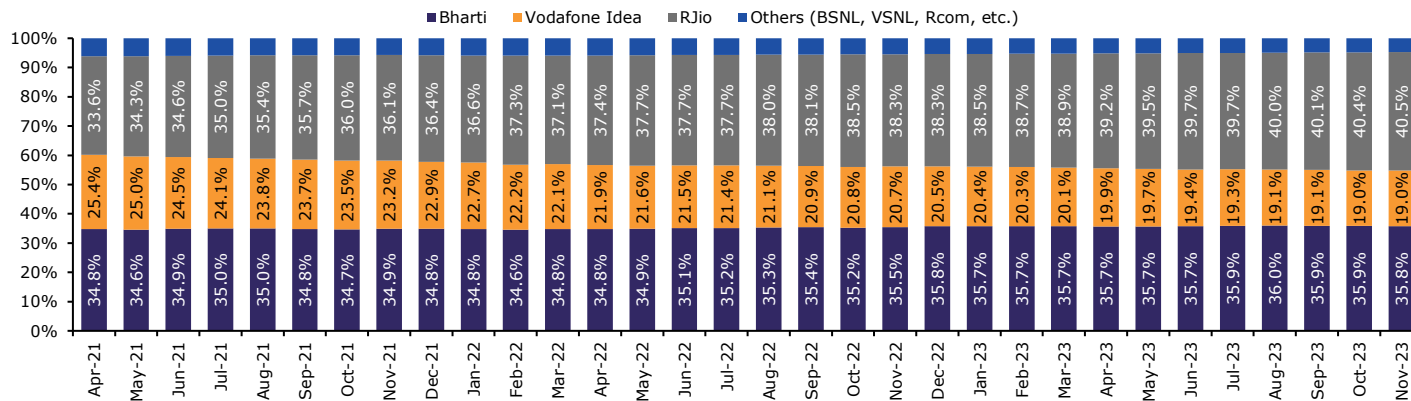
Vi loss of subscribers is still the key concern for the company. Company needs a fundraise for capex on 4G expansion and launch of 5G, to rein in its customer churn.

Exhibit 4: Change in active subscriber market share in the last 2 years for key circles (market-share change from Nov-21 to Nov-23)



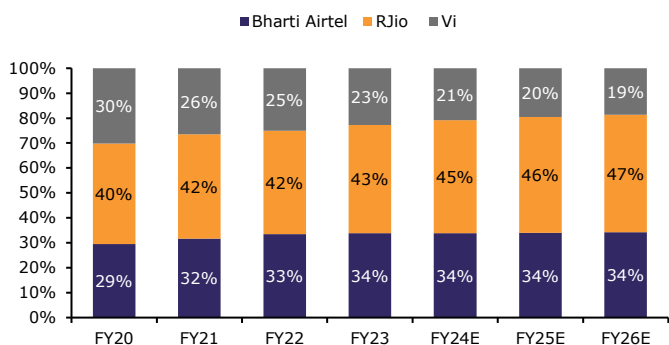
Source: TRAI, Emkay Research

Exhibit 5: Vi's active market share continues to decline; Vi's active subscriber share is now below 20%



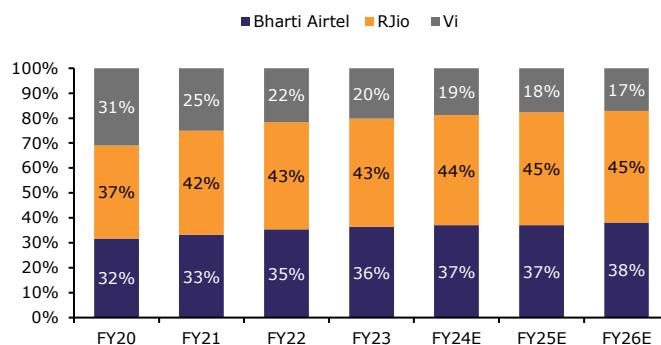
Source: TRAI, Emkay Research

Exhibit 6: Vi likely to lose further subscriber market share*



Source: Company, Emkay Research; Note: *Assuming a market with 3 private players

Exhibit 7: Bharti and RJio to gain further revenue market share



Source: Company, Emkay Research; Note: *Assuming a market with 3 private players

Earnings call takeaways

- Subscriber loss:** The company has seen a subscriber churn in Q3 due to change in entry-level plan (Rs99 plan reduced to 15 days from 28 days), though it is having a positive impact on revenue. Excluding this impact, the subscriber loss is in line with that in Q1. The lower loss in Q2 was achieved mainly on account of the *Indira Gandhi Smartphone Yojana*. For subscriber additions, Company will have to make additional investments for increasing coverage for such subscribers.
- Decline in data traffic:** The trend is witnessed across the industry, as people preferred watching the World cup on TV cable at home on weekends to avoid the lag effect of 5-6 seconds on OTT. Additionally, even while watching on OTT, it was mainly through Wi-Fi. This was evidenced in the decline in data consumption on weekends. Moreover, a contrary trend witnessed during the quarter is that of increased sale of data packs, in turn, leading to higher ARPUs.
- Network cost lower** in Q3FY24 due to seasonality and aided by lower energy cost. On 9MFY24 basis, the network cost is broadly flat YoY. Additionally, cost saving initiatives are an ongoing process.
- Shift, from 3G to 4G:** During the quarter, the company continued spectrum re-farming to shut down 3G in five more circles, with the intent to allocate such spectrum for 4G and, in turn, increase its capacity. Over the last year, this initiative has helped the company grow its 4G capacity by ~5%. Company expects to shut down 3G at all of its active circles by the end of next FY, in line with the reduction in number of handsets operating the 3G network.
- Capex and growth restricted by funding:** Receiving funding is the prime requirement for reducing debt and vendor obligations which will give bandwidth for doing higher capex spends (excluding negligible maintenance capex). This in turn will result in higher growth and cash generation. The capex is expected to remain moderate even in Q4. For FY25, Company has plans to allocate new funding towards capex and cash generation for reducing obligations.
- Loan repayment schedule:** Vi has loans to the tune of Rs54bn (Rs32bn bank debt, Rs16.6bn OCDs, and Rs5.3bn for spectrum payout) maturing in the next one year. For FY26, Company will have repayment liability of Rs18bn towards bank debt as well as government debt of Rs280bn.
- Tenancy cost:** The scope for reduction in tenancy cost is less, as the rent for the existing tenants is reduced only when a new player joins for that tower. A tenant deploying new equipment will not lower the cost for the already-existing tenants.
- Refund from DoT:** Vi reported an exceptional receipt of Rs7.6bn (accepted by DoT) towards refund receivable for excess amount paid to DoT for spectrum at the time of the merger. The company continues to challenge the DoT for an additional amount of Rs4.4bn through the TDSAT.

- **No progress on blocked GST:** Company has outstanding GST receivable of Rs70bn. A request has been made to allow the blocked amount against payments made on reverse charge basis; however, the government has not yet provided a solution for this. Company expects favorable support from the government on this issue.
- **Discussion on 5G strategy continues:** Company's discussions with various network vendors for finalization of the 5G rollout strategy are ongoing and Vi expects to roll out 5G in the next 6-7 months. Only post this roll-out will the company attain better clarity about monetization of the investments.
- **Promoter funding:** The promoter stands by his commitment on funding via equity raise for clearing the company's obligations. However, such funding will only be done by the Promoter on the company's 'immediate need' basis.

Q3FY24 results: ARPU improves; rate of subscriber loss increases

- **VIL revenue down 0.4% QoQ;** miss on consensus/our estimates, led by higher subscriber loss.
- **EBITDA for Q3 grew 1.6% QoQ.** EBITDA margin was up by 80bps QoQ, led by low network operating expense (down 4.2% QoQ) and Roaming & Access charge (down 7.7% QoQ) leading to beat on consensus/our margin estimate.
- **PAT loss contracted** due to higher EBITDA, lower interest cost, and exceptional benefit of Rs7.5bn arising from the TDSAT ruling that was accepted by DoT. TDSAT had directed DoT in Dec-2023 to adjust the excess Rs7.5bn collected from Voda-Idea towards spectrum liabilities linked to the merger of erstwhile Vodafone entities.

KPI performance: ARPU improves; Subscriber loss rate picks up again

- Vi's overall subscriber base declined by 4.6mn QoQ, with subscriber loss again seeing a pick up from the 1.6/4.5mn loss in Q2/Q1.
- 4G data user net adds moderated QoQ to 0.9mn vs. 1.8mn in Q2. ARPU improved 2.1% QoQ at Rs145, aided by change in the entry-level plan and subscriber upgrades.
- Total data traffic for Q3 witnessed a 1.9% decline QoQ due to data per user declining 3.8% QoQ to 15.4GB/month/user, possibly owing to more users engaging in watching the cricket world cup via other mediums.

Balance sheet: Net debt remains elevated; capex moderates

- Vi's capex declined 36% QoQ to Rs3.3bn (Rs5.2bn/Rs4.5bn in Q2/Q1).
- Vi's net debt (ex-leases) was up by Rs20bn QoQ to Rs2,146bn, led by increase in deferred spectrum obligations and AGR liabilities.
- Bank debt declined further to Rs60.5bn (from Rs79bn/Rs95bn in Q2/Q1).

Exhibit 8: KPIs

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
EoP subscribers (mn)	229	226	221	220	215	(5.9)	(2.1)
VLR subscribers (mn)	210	208	203	200	197	(6.2)	(1.6)
Data subscribers (mn)	135	136	136	137	137	1.6	0.1
4G subscribers (mn)	122	123	123	125	126	3.3	0.7
ARPU (Rs)	135	135	139	142	145	7.4	2.1
Minutes on Network (mn)	424,000	425,000	420,000	406,000	401,000	(5.4)	(1.2)
Data volume (Petabyte)	5,762	5,802	6,002	6,119	6,004	4.2	(1.9)

Source: Company

Exhibit 9: Financial results

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Net Sales	106,206	105,319	106,555	107,163	106,731	0.5	(0.4)
Roaming & Access charge	9,613	10,694	10,086	10,644	9,823	2.2	(7.7)
as % of sales	9.1	10.2	9.5	9.9	9.2		
Network Operating	26,030	24,023	25,375	25,065	24,016	(7.7)	(4.2)
as % of sales	24.5	22.8	23.8	23.4	22.5		
Employee Expenses	4,838	4,848	5,003	5,348	5,432	12.3	1.6
as % of sales	4.6	4.6	4.7	5.0	5.1		
Marketing Expenses	12,825	12,499	12,938	11,631	12,151	(5.3)	4.5
as % of sales	12.1	11.9	12.1	10.9	11.4		
License Fee	9,287	9,052	9,157	9,269	9,256	(0.3)	(0.1)
as % of sales	8.7	8.6	8.6	8.6	8.7		
Administrative expenses	1,805	2,100	2,426	2,378	2,549	41.2	7.2
as % of sales	1.7	2.0	2.3	2.2	2.4		
Total operating expenditure	64,398	63,216	64,985	64,335	63,227	(1.8)	(1.7)
EBITDA	41,808	42,103	41,570	42,828	43,504	4.1	1.6
Depreciation	58,860	57,037	56,165	56,673	55,984	(4.9)	(1.2)
EBIT	(17,052)	(14,934)	(14,595)	(13,845)	(12,480)	(26.8)	(9.9)
Interest	62,847	49,078	63,769	65,345	64,931	3.3	(0.6)
Exceptional Item	-	224	-	-	(7,555)		
PBT	(79,899)	(64,236)	(78,364)	(79,190)	(69,856)	(12.6)	(11.8)
Tax	3	(47)	30	8,177	(8)	(366.7)	(100.1)
PAT, prior to profit from associates'	(79,902)	(64,189)	(78,394)	(87,367)	(69,848)	(12.6)	(20.1)
Adjustments / Profit from Associates	2	2	(6)	(12)	(11)		
RPAT	(79,900)	(64,187)	(78,400)	(87,379)	(69,859)	(12.6)	(20.1)
(%)						(bps)	(bps)
EBITDA margin	39.4	40.0	39.0	40.0	40.8	140	80
EBIT margin	(16.1)	(14.2)	(13.7)	(12.9)	(11.7)	436	123
EBT margin	(75.2)	(61.0)	(73.5)	(73.9)	(65.5)	978	845
PAT margin	(75.2)	(60.9)	(73.6)	(81.5)	(65.5)	978	1,609
Effective Tax rate	(0.0)	0.1	(0.0)	(10.3)	0.0	2	1,034

Source: Company

Change in estimates

We cut FY24E/FY25E/FY26E revenue by 0.9%/1.6%/0.7%, respectively, as we reduce our subscriber estimate. We raise our EBITDA margin, as we adjust for Q3FY24 results.

Exhibit 10: Changes in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	431,676	427,786	-0.9%	465,543	457,915	-1.6%	517,754	514,156	-0.7%
EBITDA	170,392	171,347	0.6%	181,744	185,693	2.2%	203,270	209,111	2.9%
EBITDA Margin (%)	39.5	40.1	58 bps	39.0	40.6	151 bps	39.3	40.7	141 bps
PAT	-295,275	-314,715	NM	-293,101	-304,779	NM	-277,020	-286,714	NM
EPS (Rs)	-6.1	-6.5	NM	-6.0	-6.3	NM	-5.7	-5.9	NM

Source: Emkay Research

Vodafone Idea : Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	385,155	421,772	427,786	457,915	514,156
Revenue growth (%)	(8.2)	9.5	1.4	7.0	12.3
EBITDA	160,361	168,170	171,347	185,693	209,111
EBITDA growth (%)	(5.4)	4.9	1.9	8.4	12.6
Depreciation & Amortization	235,843	230,497	225,726	226,568	232,855
EBIT	(75,482)	(62,327)	(54,379)	(40,875)	(23,744)
EBIT growth (%)	0.0	0.0	0.0	0.0	0.0
Other operating income	0	0	0	0	0
Other income	0	0	0	0	0
Financial expense	208,514	230,430	259,664	263,904	262,969
PBT	(283,996)	(292,757)	(314,042)	(304,779)	(286,714)
Extraordinary items	0	0	0	0	0
Taxes	111	35	8,199	0	0
Minority interest	0	0	0	0	0
Income from JV/Associates	12	5	(29)	0	0
Reported PAT	(282,452)	(293,011)	(314,715)	(304,779)	(286,714)
PAT growth (%)	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	(284,095)	(292,787)	(322,270)	(304,779)	(286,714)
Diluted EPS (Rs)	(5.8)	(6.0)	(6.5)	(6.3)	(5.9)
Diluted EPS growth (%)	0.0	0.0	0.0	0.0	0.0
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	41.6	39.9	40.1	40.6	40.7
EBIT margin (%)	(19.6)	(14.8)	(12.7)	(8.9)	(4.6)
Effective tax rate (%)	0.0	0.0	(2.6)	0.0	0.0
NOPLAT (pre-IndAS)	(75,512)	(62,334)	(55,799)	(40,875)	(23,744)
Shares outstanding (mn)	48,679.6	48,679.6	48,679.6	48,679.6	48,679.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	(283,996)	(292,757)	(314,042)	(304,779)	(286,714)
Others (non-cash items)	0	0	0	0	0
Taxes paid	(111)	(35)	(8,199)	0	0
Change in NWC	20,560	27,052	7,957	(124)	36,997
Operating cash flow	173,870	188,687	171,105	185,569	246,108
Capital expenditure	(61,124)	(56,222)	(26,434)	(28,434)	(29,434)
Acquisition of business	0	0	0	0	0
Interest & dividend income	586	586	586	586	586
Investing cash flow	(61,136)	(56,227)	(26,434)	(28,434)	(29,434)
Equity raised/(repaid)	44,997	0	0	0	0
Debt raised/(repaid)	(122,538)	(151,115)	117,236	157,381	157,528
Payment of lease liabilities	14,335	133,366	7,236	7,381	7,528
Interest paid	(27,997)	(20,940)	(23,597)	(23,982)	(23,897)
Dividend paid (incl tax)	0	0	0	0	0
Others	27,704	48,145	(200,274)	(183,955)	(122,381)
Financing cash flow	(77,834)	(123,910)	(106,634)	(50,556)	11,250
Net chg in Cash	34,900	8,550	38,036	106,579	227,924
OCF	173,870	188,687	171,105	185,569	246,108
Adj. OCF (w/o NWC chg.)	194,430	215,739	179,061	185,445	283,106
FCFF	112,746	132,465	144,670	157,135	216,674
FCFE	(95,182)	(97,379)	(114,407)	(106,183)	(45,710)
OCF/EBITDA (%)	108.4	112.2	99.9	99.9	117.7
FCFE/PAT (%)	33.7	33.2	36.4	34.8	15.9
FCFF/NOPLAT (%)	(149.3)	(212.5)	(259.3)	(384.4)	(912.5)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	321,188	486,796	486,796	486,796	486,796
Reserves & Surplus	(940,823)	(1,230,388)	(1,545,103)	(1,849,883)	(2,136,596)
Net worth	(619,635)	(743,592)	(1,058,307)	(1,363,086)	(1,649,800)
Minority interests	0	0	0	0	0
Deferred tax liability (net)	22	0	0	0	0
Total debt	2,137,611	2,377,660	2,494,896	2,652,277	2,809,805
Total liabilities & equity	1,517,998	1,634,068	1,436,589	1,289,191	1,160,005
Net tangible fixed assets	367,303	388,217	323,097	255,831	(169,831)
Net intangible assets	1,031,859	964,341	883,860	799,450	714,969
Net ROU assets	169,024	209,997	156,307	109,850	416,572
Capital WIP	3,643	178,764	178,764	178,764	178,764
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	34,953	8,608	18,377	68,988	180,221
Current assets (ex-cash)	333,443	323,721	310,443	321,008	353,327
Current Liab. & Prov.	422,228	439,580	434,259	444,700	514,016
NWC (ex-cash)	(88,785)	(115,859)	(123,816)	(123,692)	(160,689)
Total assets	1,517,998	1,634,068	1,436,589	1,289,191	1,160,005
Net debt	2,102,658	2,369,052	2,476,519	2,583,289	2,629,584
Capital employed	1,517,998	1,634,068	1,436,589	1,289,191	1,160,005
Invested capital	1,479,401	1,446,696	1,239,448	1,041,438	801,020
BVPS (Rs)	(12.7)	(15.3)	(21.7)	(28.0)	(33.9)
Net Debt/Equity (x)	(3.4)	(3.2)	(2.3)	(1.9)	(1.6)
Net Debt/EBITDA (x)	13.1	14.1	14.5	13.9	12.6
Interest coverage (x)	(2.8)	(3.7)	(4.8)	(6.5)	(11.1)
RoCE (%)	(4.8)	(4.0)	(3.5)	(3.0)	(1.9)

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	(2.5)	(2.4)	(2.2)	(2.3)	(2.5)
P/CE(x)	(14.6)	(11.3)	(7.3)	(9.0)	(13.1)
P/B (x)	(1.1)	(0.9)	(0.7)	(0.5)	(0.4)
EV/Sales (x)	7.3	7.3	7.4	7.2	6.5
EV/EBITDA (x)	17.5	18.3	18.6	17.7	16.0
EV/EBIT(x)	(37.2)	(49.3)	(58.5)	(80.5)	(140.5)
EV/IC (x)	1.9	2.1	2.6	3.2	4.2
FCFF yield (%)	4.0	4.3	4.5	4.8	6.5
FCFE yield (%)	(13.5)	(13.8)	(16.2)	(15.0)	(6.5)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(73.8)	(69.4)	(75.3)	(66.6)	(55.8)
Total asset turnover (x)	0.2	0.3	0.3	0.3	0.4
Assets/Equity (x)	(3.1)	(2.3)	(1.7)	(1.1)	(0.8)
RoE (%)	56.7	43.0	35.8	25.2	19.0
DuPont-RoIC					
NOPLAT margin (%)	(19.6)	(14.8)	(13.0)	(8.9)	(4.6)
IC turnover (x)	0.2	0.3	0.3	0.4	0.6
RoIC (%)	(4.9)	(4.3)	(4.2)	(3.6)	(2.6)
Operating metrics					
Core NWC days	(84.1)	(100.3)	(105.6)	(98.6)	(114.1)
Total NWC days	(84.1)	(100.3)	(105.6)	(98.6)	(114.1)
Fixed asset turnover	0.2	0.2	0.2	0.2	0.2
Opex-to-revenue (%)	58.4	60.1	59.9	59.4	59.3

Source: Company, Emkay Research

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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
31-Oct-23	12	-	NA	Santosh Sinha
27-Aug-23	9	-	NA	Santosh Sinha
15-Aug-23	8	-	NA	Santosh Sinha
26-May-23	7	-	NA	Santosh Sinha
05-May-23	7	-	NA	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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