

Bharti Hexacom | BUY

Strong results; beneficiary of premiumisation story

Bharti Hexacom (BHL) 4QFY24 EBITDA was 1.5% higher than JMFe at INR 9.3bn (up 4.1% QoQ and 13.8% YoY) on account of strong wireless subs (subscribers) additions (of 560k) and sharper jump in ARPU (to INR 204) driven by rise in AMDU and improved subs mix on back of robust 4G/5G net adds (of 640k). EBITDA margin improved 18bps QoQ to 49.6%. Home broadband and wire-line business continued to register strong subs addition while its ARPU further declined QoQ. Capex was INR 1.4bn higher QoQ at INR 4.9bn; net debt increased by INR 2.9bn to INR 78.3bn at end-4QFY24 due to seasonal increase in working capital. Further, board approved final dividend of INR 4/share (or 40% payout), though will frame dividend policy once some deleveraging is done. We maintain BUY on BHL (revised 1 year TP of INR 1,075) 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. ARPU growth aided by likely moderation in capex will drive BHL's FCF growth from FY25, enabling it to get to net cash by FY29; this will also aid in accretion in equity value. We see BHL as a midcap pure-play on wireless ARPU growth story.

- EBITDA slightly higher than JMFe on account of strong wireless subs additions and sharper jump in ARPU:** BHL's 4QFY24 revenue at INR 18.7bn (up 3.7% QoQ and 7.8% YoY), was 1.2% higher than JMFe of INR18.5bn on account of strong wireless subs additions and sharper jump in ARPU. Network cost (at INR 4.6bn, +0.8% QoQ and +12.1% YoY) and licence fee/SUC cost (at INR 1.7bn, +4.4% QoQ and +14.7% YoY) were in-line with JMFe. Moreover, SG&A cost (at INR 0.9bn, -1.5% QoQ and +12.3%) and other costs at INR 2.7bn (+3.0% QoQ, -16.5% YoY) were also in-line. Hence, EBITDA was also 1.5% above JMFe at INR 9.3bn (+4.1% QoQ and +13.8% YoY) with EBITDA margin improving by another 18bps QoQ to 49.6% in 4QFY24 due to operating leverage and sustained focus on the 'War on Waste' programme to drive cost optimization. Wireless business net subscribers rose strongly by 560k to 27.3mn (vs. JMFe of 330k net additions) with reported churn lower QoQ at 2.0% in 4QFY24. Further, 4G/5G net additions were also slightly better than expected at 640k in 4QFY24 v JMFe of 600k addition (vs 570k addition in 3QFY24); 4G/5G subscribers constitute 71% of total subscribers. Further, usage metrics was up 3.4% QoQ at 24.5GB/user/month in 4QFY24. Wireless ARPU jumped by INR 4 QoQ to INR 204 vs [Bharti Airtel's ARPU](#) rising by INR 1 QoQ to INR 209 and [Jio's ARPU](#) (including FTTH) being flat QoQ at INR 181.7; BHL management highlighted this higher APRU was partly due to full quarter of normal operations in Manipur in 4QFY24 vs. only 3 weeks of normal operation in 3QFY24.
- Home broadband and wire-line business – strong subs addition continues while ARPU continues to decline:** BHL's home broadband and wire-line revenue rose slightly QoQ to INR 547mn in 4QFY24 (+0.7% QoQ and +27% YoY) with additions of 16k subscribers during the quarter (taking subs base to 305k at end 4QFY24); however, ARPU was down 2.8% QoQ at INR 522/month in 4QFY24 (vs. INR 537/month in



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,075
Upside/(Downside)	12.7%
Previous Price Target	790
Change	36.0%

Key Data – BHARTIHE IN

Current Market Price	INR954
Market cap (bn)	INR477.0/US\$5.7
Free Float	15%
Shares in issue (mn)	500.0
Diluted share (mn)	500.0
3-mon avg daily val (mn)	INR0.0/US\$0.0
52-week range	1,016/755
Sensex/Nifty	72,987/22,201
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	18.4	0.0	0.0
Relative*	18.3	0.0	0.0

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	65,790	70,888	83,698	95,009	105,973
Sales Growth (%)	21.7	7.7	18.1	13.5	11.5
EBITDA	29,259	36,099	43,387	50,291	57,424
EBITDA Margin (%)	43.5	49.2	50.3	52.9	54.2
Adjusted Net Profit	5,492	8,074	13,898	18,832	23,803
Diluted EPS (INR)	11.0	16.1	27.8	37.7	47.6
Diluted EPS Growth (%)	0.0	47.0	72.1	35.5	26.4
ROIC (%)	8.3	10.0	14.7	18.7	22.8
ROE (%)	14.0	18.3	27.5	31.1	32.5
P/E (x)	86.9	59.1	34.3	25.3	20.0
P/B (x)	11.3	10.3	8.7	7.2	5.9
EV/EBITDA (x)	19.1	15.4	12.5	10.5	9.0
Dividend Yield (%)	0.3	0.4	1.2	1.6	2.0

Source: Company data, JM Financial. Note: Valuations as of 15/May/2024

3QFY24).

- **Capex was INR 1.4bn higher QoQ at INR 4.9bn in 4QFY24; net debt increased by INR 2.9bn to INR 78.3bn:** Capex was INR 1.4bn higher QoQ at INR 4.9bn in 4QFY24 (vs. 3QFY24 capex of INR 3.5bn). Further, FY24 capex was INR 20.2bn (vs. FY23 capex of INR 15.2bn and FY22 capex of INR 7.7bn). Net debt, including lease liabilities, increased INR 2.9bn to INR 78.3bn at end-4QFY24 due to seasonal increase in working capital and higher interest & finance charges on account of payment of spectrum dues. Net debt-EBITDA, including lease liabilities, was 2.11x at end-4QFY24 vs. 2.13x at end-3QFY24.
- **Maintain our BUY rating on BHL with revised 1-year TP of INR 1,075 and 3-year TP of INR 1,500 (implying 16% IRR):** We have raised FY25-26 EBITDA by ~7% factoring in FY24 financials, higher ARPU/subs growth and operating leverage. Further, we have revised our 1 year TP to INR 1,075 (from INR 790) due to increase in our estimates, roll-forward of our valuation to Sep'25 and increase in EV/EBITDA multiple to 11.0x (from 10.0x) given the potential to generate EBITDA growth of 3-4% above Bharti Airtel. Our 3 year TP stands at INR 1,500/share implying 16% IRR potential (**Exhibit 6**). We expect BHL's FY24-26/FY24-30 EBITDA CAGR to be higher at 20%/16% (vs. 14%/12% for Bharti's India wireless business) due to ~2.4% subs CAGR and ~10.4% ARPU CAGR potential as Rajasthan/NE circle has relatively lower teledensity and lower penetration of high ARPU post-paid & data subs. As detailed in our initiation note ([Mid-cap pure-play on structural wireless ARPU growth story](#)), we reiterate our BUY rating on BHL 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. ARPU growth aided by likely moderation in capex will drive BHL's FCF growth from FY25, enabling it to get to net cash by FY29; this will also aid in accretion in equity value. We see BHL as a midcap pure-play on wireless ARPU growth story vis-à-vis Bharti (which sees 25-30% of its value coming from other than India wireless business).

4QFY24 result review

Exhibit 1. BHL quarterly snapshot

INR mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Revenue	15,580	16,090	16,795	17,325	16,817	17,385	18,006	18,680	3.7%	7.8%
Operating costs	9,147	9,598	9,563	9,625	8,517	9,126	9,731	9,902	1.8%	2.9%
-Network costs	3,720	3,994	4,078	4,071	3,485	4,270	4,530	4,564	0.8%	12.1%
-License fees, SUC and other revenue share	1,711	1,639	1,472	1,507	1,572	1,565	1,655	1,728	4.4%	14.7%
-SG&A costs	707	692	869	799	976	908	911	897	-1.5%	12.3%
-Other costs	3,009	3,273	3,144	3,248	2,484	2,383	2,635	2,713	3.0%	-16.5%
EBITDA	6,693	6,789	7,634	8,143	9,104	8,832	8,898	9,265	4.1%	13.8%
Depreciation & Amortization	3,770	3,855	3,959	3,949	4,143	4,322	4,329	4,598	6.2%	16.4%
EBIT	2,923	2,934	3,675	4,194	4,961	4,510	4,569	4,667	2.1%	11.3%
Net interest cost	1,643	1,605	1,647	1,493	1,543	1,556	1,688	1,657	-1.8%	11.0%
Extraordinary	0	0	0	0	0	3,030	0	0		
Reported PBT	1,280	1,329	2,028	2,701	3,418	-76	2,881	3,010	4.5%	11.4%
Tax	321	336	507	682	886	1,765	754	784		
Reported PAT	959	993	1,521	2,019	2,532	-1,841	2,127	2,226	4.7%	10.3%
Reported EPS	1.9	2.0	3.0	4.0	5.1	-3.7	4.3	4.5	4.7%	10.3%
Tax/PBT (%)	25%	25%	25%	25%	26%	NM	26%	26%		
EBITDA margin (%)	43.0%	42.2%	45.5%	47.0%	54.1%	50.8%	49.4%	49.6%		

Source: Company, JM Financial.

Exhibit 2. BHL segmental snapshot

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Wireless							
Revenue (INR mn)	17,072	16,473	17,029	17,477	18,232	4.3%	6.8%
EBITDA (INR mn)	7,924	8,390	8,471	8,403	8,939	6.4%	12.8%
EBITDA margin (%)	46.4	50.9	49.7	48.1	49.0	95bps	261bps
Capex (INR mn)	4,545	5,776	5,249	3,283	4,662	42.0%	2.6%
Capex Intensity (%)	26.6	35.1	30.8	18.8	25.6	679bps	-105bps
EoP Subscribers (mn)	25.8	26.2	26.5	26.8	27.3	2.1%	5.9%
Net subscriber addition (mn)		0.40	0.32	0.24	0.56		
EoP 4G/5G subscribers (mn)	17.0	17.4	18.3	18.8	19.5	3.4%	14.5%
Net 4G/5G subscriber addition (mn)		0.35	0.92	0.57	0.64		
4G/5G subs as % of total subs	66%	66%	69%	70%	71%		
EoP Total Data subscribers (mn)	17.3	17.7	18.6	19.1	19.8	3.3%	14.1%
Net Data subscriber addition (mn)		0.34	0.92	0.55	0.63		
Data subs as % of total subs	67%	67%	70%	71%	72%		
AMDU (GB/month)	22.4	22.5	23.1	23.7	24.5	3.4%	9.4%
ARPU (INR/month)	189	194	196	200	204	2.0%	7.9%
Total subscriber Churn	2.4%	2.4%	2.6%	2.5%	2.0%		
Mobile service population coverage			95.9	96.0	96.2		
Network towers (#)	21,672	22,605	23,748	24,874	25,704	3.3%	18.6%
Total Mobile Broadband Base stations (#)	70,057	72,249	74,910	77,735	79,835	2.7%	14.0%
Home Broadband & Wireline							
Revenue (INR mn)	432	469	500	543	547	0.7%	26.6%
EBITDA (INR mn)	50	161	121	217	201	-7.4%	302.0%
EBITDA margin (%)	11.6	34.3	24.2	40.0	36.7	-322bps	2,517bps
Capex (INR mn)	166	108	663	232	263	13.4%	58.4%
Capex Intensity (%)	38.4	23.0	132.6	42.7	48.1	535bps	965bps
Subscribers (mn)	0.22	0.24	0.27	0.29	0.31	5.5%	39.3%
Net subscriber addition (mn)		0.02	0.03	0.02	0.02		
ARPU (INR/month)	570	558	540	537	522	-2.8%	-8.4%
Cities covered (#)	87	87	88	90	93		

Source: Company, JM Financial.

Exhibit 3. Net debt (including lease liability) rose by INR 2.9bn in 4QFY24

Particulars (INR bn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Long term debt, net of current portion	20.0	0.0	0.0	0.0	0.0	NM	-100.0%
Short-term borrowings and current portion of long-term debt	15.0	35.1	35.0	35.2	20.0	-43.2%	33.3%
Deferred payment liability	27.7	27.7	27.3	27.3	28.3	3.7%	2.4%
Gross debt excluding Lease Obligations	62.7	62.7	62.4	62.5	48.3	-22.7%	-22.9%
Less: Cash and Cash Equivalents	0.6	0.2	0.5	0.2	0.4	61.1%	-28.3%
Less: Investments & Receivables	10.5	13.0	15.3	18.4	2.4	-87.1%	-77.3%
Net Debt excluding Lease Obligations	51.7	49.6	46.6	43.9	45.6	3.8%	-11.8%
Lease Obligation	29.3	30.4	31.0	31.8	32.7	2.9%	11.4%
Net Debt including Lease Obligations	81.0	80.0	77.5	75.7	78.3	3.4%	-3.4%
Net Debt (incl Lease liability) to EBITDA (x)	2.5	2.2	2.2	2.1	2.1		

Source: Company, JM Financial.

Exhibit 4. BHL – Key operational assumptions

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY24-26	FY24-30
											CAGR (%)	CAGR (%)
Wireless												
Average ARPU (INR)	135	145	170	195	224	248	271	296	323	353	13.0%	10.4%
YoY Growth (%)	13.4%	7.4%	17.2%	14.4%	15.0%	11.0%	9.2%	9.2%	9.2%	9.2%		
EoP subscribers (mn)	25	25	26	27	28	29	30	30	31	32	2.9%	2.4%
YoY Growth (%)	-5.8%	-0.8%	4.3%	5.9%	3.1%	2.8%	2.5%	2.2%	2.0%	1.8%		
EoP 4G/5G subscribers (mn)	13	15	17	19	21	23	24	25	26	27	7.9%	5.5%
4G/5G subs as % of total subs	53%	61%	66%	71%	75%	78%	80%	82%	84%	85%		
Data usage per sub (GB)	16.8	20.0	21.8	23.5	23.9	24.4	24.9	25.4	25.9	26.4	2.0%	2.0%
Home Broadband & Wireline												
EoP subscribers (mn)	0.07	0.13	0.22	0.31	0.38	0.45	0.51	0.58	0.64	0.70	20.8%	14.8%
YoY Growth (%)	84.2%	87.1%	67.2%	39.3%	23.0%	18.7%	15.1%	12.6%	10.7%	9.3%		
Average ARPU (INR)	774	683	598	539	534	542	553	564	575	587	0.2%	1.4%
YoY Growth (%)		-11.8%	-12.4%	-9.8%	-1.0%	1.5%	2.0%	2.0%	2.0%	2.0%		
Revenues (INR mn)												
Wireless	45,300	52,976	64,247	68,829	81,520	92,343	102,798	114,196	126,625	140,183	15.8%	12.6%
Home Broadband & Wireline	723	1,076	1,543	2,059	2,179	2,667	3,175	3,684	4,194	4,705	13.8%	14.8%
Total	46,023	54,052	65,790	70,888	83,698	95,009	105,973	117,880	130,819	144,889	15.8%	12.7%
Revenue proportion (%)												
Wireless	98.4%	98.0%	97.7%	97.1%	97.4%	97.2%	97.0%	96.9%	96.8%	96.8%		
Home Broadband & Wireline	1.6%	2.0%	2.3%	2.9%	2.6%	2.8%	3.0%	3.1%	3.2%	3.2%		
Revenue growth (%)												
Wireless	18.5%	16.9%	21.3%	7.1%	18.4%	13.3%	11.3%	11.1%	10.9%	10.7%		
Home Broadband & Wireline	40.1%	48.8%	43.4%	33.4%	5.8%	22.4%	19.1%	16.0%	13.8%	12.2%		
Overall	18.8%	17.4%	21.7%	7.7%	18.1%	13.5%	11.5%	11.2%	11.0%	10.8%		
EBITDA												
EBITDA (INR mn)	11,373	18,985	28,884	34,905	43,387	50,291	57,424	65,394	74,294	84,227	20.0%	15.8%
EBITDA YoY Growth (%)	114.7%	66.9%	52.1%	20.8%	24.3%	15.9%	14.2%	13.9%	13.6%	13.4%		
EBITDA Margin (%)	24.7%	35.1%	43.9%	49.2%	51.8%	52.9%	54.2%	55.5%	56.8%	58.1%		
Capex (INR mn)												
Wireless	15,471	8,320	14,563	18,970	17,934	18,469	20,354	22,385	24,573	26,932		
Home Broadband & Wireline	296	425	599	1,265	763	800	933	1,061	1,184	1,302		
Total	15,767	8,745	15,162	20,235	18,697	19,268	21,287	23,446	25,757	28,234		
Capex intensity (Capex/Revenue)												
Wireless	34.2%	15.7%	22.7%	27.6%	22.0%	20.0%	19.8%	19.6%	19.4%	19.2%		
Home Broadband & Wireline	40.9%	39.5%	38.8%	61.4%	35.0%	30.0%	29.4%	28.8%	28.2%	27.7%		
Overall	34.3%	16.2%	23.0%	28.5%	22.3%	20.3%	20.1%	19.9%	19.7%	19.5%		
Capex proportion (%)												
Wireless	98.1%	95.1%	96.0%	93.7%	95.9%	95.8%	95.6%	95.5%	95.4%	95.4%		
Home Broadband & Wireline	1.9%	4.9%	4.0%	6.3%	4.1%	4.2%	4.4%	4.5%	4.6%	4.6%		

Source: Company, JM Financial.

Valuation

Exhibit 5. BHL – 1-year Target Price of INR 1,075/share

Particulars	
EV/EBITDA multiple (x)	11.0
1 year forward EBITDA (INR mn)	53,858
Enterprise Value (INR mn)	592,434
Less: Net debt (INR mn)	53,559
Equity value (INR mn)	538,875
Number of shares outstanding (mn)	500
1-year TP (INR/share)	1,075

Source: Company, JM Financial

Exhibit 6. BHL – 3-year Target Price of INR 1,500/share

Particulars	
EV/EBITDA multiple (x)	11.0
3 year forward EBITDA (INR mn)	69,844
Enterprise Value (INR mn)	768,287
Less: Net debt (INR mn)	19,826
Equity value (INR mn)	748,461
Number of shares outstanding (mn)	500
3-year TP (INR/share)	1,500

Source: Company, JM Financial

BHL's EBITDA and valuation sensitivity to ARPU

Every increase/decrease in ARPU by INR 10 results in increase/decrease in BHL's FY26 EBITDA by ~3.4% and valuation by INR 42/share or ~4.0%.

Similarly, every increase/decrease in subscribers by 1mn results in increase/decrease in BHL's FY26 EBITDA by ~1.7% and valuation by INR 30/share or ~2.8%.

Exhibit 7. BHL - Sensitivity of FY26 consolidated EBITDA (INR 50.3bn in base case) & Valuation (INR 1,075/share in base case) to FY26E ARPU and subscriber base (mn)

FY26 consolidated EBITDA (INR Bn) sensitivity								FY26 consolidated Valuation (INR/share) sensitivity										
Wireless Subscriber base (mn)								Wireless Subscriber base (mn)										
Wireless ARPU (INR)		26.0	27.0	28.0	29.0	30.0	31.0	32.0	Wireless ARPU (INR)		26.0	27.0	28.0	29.0	30.0	31.0	32.0	
	218	42.8	43.5	44.3	45.1	45.9	46.7	47.5		218	868	895	922	949	975	1,002	1,029	1,056
	228	44.4	45.2	46.0	46.8	47.7	48.5	49.3		228	907	935	963	991	1,019	1,047	1,075	1,103
	238	46.0	46.9	47.7	48.6	49.4	50.3	51.1		238	946	975	1,004	1,033	1,062	1,091	1,120	1,149
	248	47.7	48.5	49.4	50.3	51.2	52.0	52.9		248	984	1,014	1,045	1,075	1,105	1,135	1,165	1,195
	258	49.3	50.2	51.1	52.0	52.9	53.8	54.7		258	1,023	1,054	1,086	1,117	1,148	1,179	1,211	1,242
	268	50.9	51.9	52.8	53.7	54.7	55.6	56.5		268	1,062	1,094	1,126	1,159	1,191	1,224	1,256	1,288
	278	52.6	53.5	54.5	55.5	56.4	57.4	58.4		278	1,100	1,134	1,167	1,201	1,234	1,268	1,301	1,334

Source: JM Financial

Exhibit 8. Global telecom valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26
Bharti Airtel	12.5	10.8	9.4	62.5	36.7	26.4	8.5	6.7	5.5	52.7	54.0	55.1	12.5	19.4	23.3
Bharti Hexacom	15.9	13.0	10.6	95.8	32.9	23.0	9.7	8.0	6.4	46.9	48.1	51.0	10.5	26.7	31.1
Jio (JioFe)	17.4	14.6	11.0	37.3	27.3	17.4	3.2	2.9	2.5	52.6	53.2	53.9	9.0	11.2	15.3
Vodafone Idea	19.0	16.4	14.3	NM	NM	NM	NM	NM	NM	40.0	42.3	43.5	NM	NM	NM
Indian telcos average	16.2	13.7	11.3	65.2	32.3	22.3	7.1	5.9	4.8	48.1	49.4	50.9	10.7	19.1	23.2
AT&T	8.4	6.0	5.9	11.6	7.8	7.6	2.4	1.1	1.0	84.9	36.6	36.9	21.5	14.0	13.3
T-Mobile	8.4	8.5	8.0	11.6	18.1	14.7	2.4	3.1	3.2	84.9	39.5	40.5	21.5	16.9	21.3
Verizon	8.4	6.6	6.5	11.6	8.8	8.6	2.4	1.7	1.5	84.9	36.2	36.3	21.5	19.6	18.3
US telcos average	8.4	7.0	6.8	11.6	11.6	10.3	2.4	2.0	1.9	84.9	37.4	37.9	21.5	16.8	17.7
Deutsche Telekom	8.4	6.2	5.8	11.6	12.4	11.0	2.4	1.9	1.8	84.9	38.9	40.0	21.5	14.6	15.6
Orange	8.4	5.5	5.3	11.6	9.8	8.9	2.4	0.9	0.8	84.9	30.8	31.3	21.5	8.5	9.2
Telefonica	8.4	5.0	5.0	11.6	12.6	11.9	2.4	1.1	1.1	84.9	32.2	32.2	21.5	7.9	8.4
Telenor	8.4	7.5	7.3	11.6	13.1	15.0	2.4	2.6	2.6	84.9	43.7	44.1	21.5	21.6	17.9
Vodafone Plc	5.8	6.1	6.0	10.3	9.0	7.5	0.4	0.3	0.3	29.9	30.0	30.4	3.0	3.4	3.9
Europe telcos average	7.9	6.0	5.9	11.3	11.4	10.9	2.0	1.3	1.3	73.9	35.1	35.6	17.8	11.2	11.0
China Mobile	8.4	3.4	3.3	11.6	10.4	9.8	2.4	1.1	1.0	40.3	32.7	32.0	21.5	10.3	10.3
China Telecom	8.4	3.5	3.3	11.6	11.4	10.5	2.4	0.8	0.8	84.9	26.2	25.8	21.5	7.4	7.9
China Unicom	8.4	1.4	1.3	11.6	8.6	7.8	2.4	0.5	0.5	84.9	26.3	26.0	21.5	5.9	6.3
China telcos average	8.4	2.8	2.7	11.6	10.1	9.4	2.4	0.8	0.8	70.0	28.4	27.9	21.5	7.8	8.2
KT Corp	8.4	3.3	3.2	11.6	7.6	6.8	2.4	0.5	0.5	84.9	20.6	20.5	21.5	7.1	7.2
LG Uplus	8.4	3.1	3.1	11.6	7.0	6.6	2.4	0.5	0.5	40.3	24.9	24.8	21.5	7.1	7.2
SK Telecom	8.4	3.9	3.9	11.6	10.0	9.6	2.4	1.0	0.9	84.9	30.9	30.4	21.5	9.7	9.7
Korea telcos average	8.4	3.4	3.4	11.6	8.2	7.7	2.4	0.7	0.6	70.0	25.4	25.2	21.5	8.0	8.0
Axiata	8.4	6.1	5.9	11.6	39.0	27.5	2.4	1.2	1.2	84.9	45.3	45.8	21.5	2.9	4.0
Maxis	8.4	9.3	9.0	11.6	21.2	20.2	2.4	5.0	4.9	84.9	39.6	39.5	21.5	22.1	23.4
Malaysia telcos average	8.4	7.7	7.4	11.6	30.1	23.9	2.4	3.1	3.1	84.9	42.4	42.7	21.5	12.5	13.7
Advanced Info	8.4	7.8	7.5	11.6	19.6	17.7	2.4	6.5	6.3	84.9	50.2	50.6	21.5	33.9	35.4
Chungwa Telecom	8.4	10.9	10.7	11.6	25.7	24.6	2.4	2.5	2.5	84.9	38.9	39.1	21.5	10.0	10.2
Converge ICT	8.4	4.1	3.7	11.6	7.3	6.8	2.4	1.3	1.1	84.9	58.5	58.6	21.5	18.4	16.6
Digi.com	NM	NM	NM	NM	NM	NM	NM	NM	NM	84.9	47.3	48.3	21.5	11.8	13.1
Globe Telecom	8.4	7.0	6.7	11.6	12.8	12.3	2.4	1.6	1.6	84.9	45.4	45.2	21.5	13.7	12.7
Indosat	8.4	5.1	4.7	11.6	16.2	13.3	2.4	2.5	2.3	84.9	48.5	49.0	21.5	15.6	17.0
MTN Group	8.4	4.0	3.5	11.6	14.9	10.9	2.4	1.1	1.1	84.9	37.7	38.9	NM	NM	NM
Singtel	13.3	12.6	12.0	17.4	15.3	13.3	1.5	1.5	1.5	25.8	26.4	26.9	8.7	10.1	10.9
Taiwan Mobile	8.4	12.3	11.7	11.6	26.4	23.6	2.4	4.2	4.3	84.9	19.3	18.7	21.5	15.0	16.9
Telecom Indonesia	8.4	4.5	4.3	11.6	11.7	11.1	2.4	2.1	2.0	84.9	52.3	52.4	21.5	18.1	18.2
XL Axiata	8.4	4.6	4.3	11.6	19.0	15.6	2.4	1.2	1.1	84.9	49.8	49.7	21.5	6.6	7.3
Other regional telcos average	8.9	7.3	6.9	12.1	16.9	14.9	2.3	2.4	2.4	79.5	43.1	43.4	20.3	15.3	15.8
Global telcos average	9.5	7.1	6.6	17.3	16.3	13.8	2.8	2.3	2.1	73.6	38.9	39.3	19.3	13.4	14.2

Source: JM Financial, Bloomberg; Note: Jio equity value and EV taken at the last transaction value of INR 4.91tn and INR 5.16tn respectively

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	65,790	70,888	83,698	95,009	105,973	
Sales Growth	21.7%	7.7%	18.1%	13.5%	11.5%	
Other Operating Income	1,402	2,487	2,487	2,487	2,487	
Total Revenue	67,192	73,375	86,185	97,496	108,460	
Cost of Goods Sold/Op. Exp	32,025	30,830	35,606	39,515	43,254	
Personnel Cost	903	1,054	1,161	1,223	1,258	
Other Expenses	5,005	5,392	6,032	6,467	6,524	
EBITDA	29,259	36,099	43,387	50,291	57,424	
EBITDA Margin	43.5%	49.2%	50.3%	52.9%	54.2%	
EBITDA Growth	53.8%	23.4%	20.2%	15.9%	14.2%	
Depn. & Amort.	15,533	17,392	19,131	20,088	21,092	
EBIT	13,726	18,707	24,255	30,204	36,332	
Other Income	0	0	0	0	0	
Finance Cost	6,388	6,444	5,676	5,028	4,509	
PBT before Excep. & Forex	7,338	12,263	18,580	25,176	31,823	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	7,338	12,263	18,580	25,176	31,823	
Taxes	1,846	4,189	4,682	6,344	8,019	
Extraordinary Inc./Loss(-)	0	3,030	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	5,492	11,104	13,898	18,832	23,803	
Adjusted Net Profit	5,492	8,074	13,898	18,832	23,803	
Net Margin	8.2%	11.0%	16.1%	19.8%	22.5%	
Diluted Share Cap. (mn)	500.0	500.0	500.0	500.0	500.0	
Diluted EPS (INR)	11.0	16.1	27.8	37.7	47.6	
Diluted EPS Growth	0.0%	47.0%	72.1%	35.5%	26.4%	
Total Dividend + Tax	1,500	2,000	5,511	7,467	9,438	
Dividend Per Share (INR)	3.0	4.0	11.0	14.9	18.9	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	7,338	15,293	18,580	25,176	31,823	
Depn. & Amort.	15,533	17,392	19,131	20,088	21,092	
Net Interest Exp. / Inc. (-)	6,388	6,444	5,676	5,028	4,509	
Inc (-) / Dec in WCap.	21,980	697	1,786	1,577	1,528	
Others	42	1,869	-2,487	-2,487	-2,487	
Taxes Paid	-197	-174	-4,682	-6,344	-8,019	
Operating Cash Flow	51,084	41,521	38,003	43,037	48,446	
Capex	-10,712	-20,829	-18,697	-19,268	-21,287	
Free Cash Flow	40,372	20,692	19,307	23,768	27,159	
Inc (-) / Dec in Investments	-9,680	8,505	1,000	-5,000	-5,000	
Others	83	773	2,487	2,487	2,487	
Investing Cash Flow	-20,309	-11,551	-15,210	-21,781	-23,800	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-3,855	-6,106	-11,186	-12,495	-13,948	
Inc / Dec (-) in Loans	-24,419	-15,031	-9,669	-7,735	-6,188	
Others	-2,831	-2,930	0	0	0	
Financing Cash Flow	-31,105	-24,067	-20,856	-20,230	-20,136	
Inc / Dec (-) in Cash	-330	5,903	1,938	1,025	4,510	
Opening Cash Balance	885	555	398	2,336	3,361	
Closing Cash Balance	555	6,458	2,336	3,361	7,871	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	42,095	46,387	54,774	66,139	80,504	
Share Capital	2,500	2,500	2,500	2,500	2,500	
Reserves & Surplus	39,595	43,887	52,274	63,639	78,004	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	92,036	81,046	71,377	63,641	57,453	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
Total - Equity & Liab.	134,131	127,433	126,151	129,780	137,957	
Net Fixed Assets	131,101	140,595	140,161	139,341	139,537	
Gross Fixed Assets	71,661	84,009	83,575	82,755	82,951	
Intangible Assets	44,643	54,110	54,110	54,110	54,110	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	14,797	2,476	2,476	2,476	2,476	
Investments	10,792	2,721	1,721	6,721	11,721	
Current Assets	40,636	41,858	45,664	48,339	54,448	
Inventories	0	0	0	0	0	
Sundry Debtors	1,489	4,446	5,249	5,959	6,646	
Cash & Bank Balances	555	398	2,336	3,361	7,871	
Loans & Advances	0	0	0	0	0	
Other Current Assets	38,592	37,014	38,079	39,019	39,931	
Current Liab. & Prov.	48,398	57,741	61,395	64,622	67,749	
Current Liabilities	20,669	21,893	24,617	27,023	29,355	
Provisions & Others	27,729	35,848	36,778	37,599	38,394	
Net Current Assets	-7,762	-15,883	-15,731	-16,282	-13,301	
Total - Assets	134,131	127,433	126,151	129,780	137,957	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
Net Margin		8.3%	11.4%	16.6%	19.8%	22.5%
Asset Turnover (x)		0.5	0.5	0.6	0.7	0.8
Leverage Factor (x)		3.5	3.1	2.6	2.2	1.9
RoE		14.0%	18.3%	27.5%	31.1%	32.5%

Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
BV/Share (INR)		84.2	92.8	109.5	132.3	161.0
ROIC		8.3%	10.0%	14.7%	18.7%	22.8%
ROE		14.0%	18.3%	27.5%	31.1%	32.5%
Net Debt/Equity (x)		1.9	1.7	1.2	0.8	0.5
P/E (x)		86.9	59.1	34.3	25.3	20.0
P/B (x)		11.3	10.3	8.7	7.2	5.9
EV/EBITDA (x)		19.1	15.4	12.5	10.5	9.0
EV/Sales (x)		8.3	7.6	6.3	5.4	4.7
Debtor days		8	23	23	23	23
Inventory days		0	0	0	0	0
Creditor days		139	145	150	154	159

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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