

Bharti Hexacom

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	BHARTIHE IN
Equity Shares (m)	500
M.Cap.(INRb)/(USDb)	897.6 / 10.2
52-Week Range (INR)	2053 / 1058
1, 6, 12 Rel. Per (%)	-2/33/62
12M Avg Val (INR M)	747

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	94.8	107.9	122.2
EBITDA	51.6	62.3	73.7
Adj. PAT	19.2	27.5	36.2
Adj. EPS (INR)	38.4	55.0	72.4
EPS Gr. (%)	49.9%	43.2%	31.6%
BV/Sh. (INR)	147.0	182.0	224.4

Ratios

RoE (%)	28.9	33.4	35.6
RoCE (%)	17.4	24.6	32.4

Valuations

P/E (x)	46.7	32.6	24.8
P/BV (x)	12.2	9.9	8.0
EV/EBITDA (x)	18.3	14.8	12.2
Div. Yield (%)	1.1	1.7	2.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	70.0	70.0	70.0
DII	9.8	10.0	9.2
FII	4.3	4.3	4.6
Others	15.9	15.7	16.3

FII Includes depository receipts

CMP: INR1,795 TP: INR2,010 (+12%) Neutral

Elevated opex drives miss; FCF generation robust

- Bharti Hexacom's (BHL) underlying wireless revenue growth at 3% QoQ was in line with peers in 1QFY26. However, its profitability (EBITDA flat QoQ) was impacted by elevated SG&A costs and network opex.
- Similar to Bharti, BHL's capex normalized in 1QFY26, while net debt (excl. leases) declined ~INR9b QoQ to INR28b (leverage modest at 0.65x), driven by robust FCF generation of ~INR9b (vs. ~INR6.6b QoQ).
- BHL provides a pure-play exposure to Bharti Airtel's fast-growing India wireless and home broadband segments with slightly better growth prospects and lower capital misallocation concerns.
- However, since its listing, the stock has re-rated significantly and now trades at ~17.5x one-year forward EV/EBITDA (~28% premium to Bharti's India business excl. Indus). We believe such a sharp premium is unjustified.
- Our FY26-28E EBITDA estimates are broadly unchanged. We model a CAGR of ~13%/21% in BHL's revenue/EBITDA over FY25-28E, driven by a potential ~15% tariff hike in Dec'25, ramp-up of FWA offerings and continued market share gains.
- We ascribe a DCF-based Sep'27E EV/EBITDA of **14.6x (~10% premium to our multiple for Bharti's India wireless business)** to BHL. Given its significant premium to Bharti for largely similar growth rates, we **reiterate our Neutral rating on BHL with a revised TP of INR2,010.**

Weaker 1Q due to elevated costs, FCF generation drives deleveraging

- BHL's overall 1Q revenue at INR22.6b (+18% YoY, 4% below) declined ~1% QoQ, due to lower roaming-related revenue and costs. However, customer revenue grew 3% QoQ to INR21.5b (in line).
- BHL's underlying wireless revenue growth at 3% was broadly similar to peers, while net adds in homes and office business remained elevated, driven by ramp-up of FWA offerings.
- Reported EBITDA at INR12.1b (+33% YoY, 4% miss) declined 1% QoQ due to higher network opex (+10% QoQ) and SG&A costs (+26% QoQ).
- Reported EBITDA margin expanded ~25bp QoQ to 51.3% (+545bp YoY, 15bp above our est.) due to favorable benefits from lower roaming.
- Adjusted for exceptional items in earlier quarters, PAT at INR3.9b declined 16% QoQ (but up 2x YoY) and was 5% below our estimate due to lower EBITDA.
- Similar to Bharti, BHL's overall capex declined QoQ to INR2.3b (-29% YoY).
- Consolidated free cash flow (after leases and interest payments) improved to INR8.9b (vs. INR6.6b QoQ), driven by better operational cash flows and favorable working capital changes.
- Net debt (ex-leases) declined ~INR8.8b QoQ to INR28.1b.

Wireless: Underlying revenue growth in line, EBITDA hurt by higher costs

- BHL's wireless ARPU grew 2% QoQ to INR246 (+20% YoY, our est. INR245), driven by subscriber mix improvements and one extra day QoQ.
- BHL reported modest 17k paying net adds (vs. 515k net adds QoQ and our est. 265k), with contribution to Bharti's 1QFY26 net adds at ~1% (vs. ~7.8% share of paying subs).
- Reported wireless revenue declined 1.5% QoQ due to lower roaming contribution. However, underlying revenue grew 3% QoQ (similar to peers).
- Wireless EBITDA at INR11.9b (+34% YoY, 3% below our estimates) was flat QoQ (+5.3%/+3.3% QoQ R-Jio, including FTTH/Airtel) due to a significant increase in network opex (+10% QoQ) and SG&A (+26% QoQ).
- Wireless EBITDA margin optically expanded by ~60bp QoQ to 54.4% (+640bp YoY), vs. 20bp QoQ improvement for Airtel (59.4%) due to lower roaming.
- Incremental wireless EBITDA margin, on a YoY basis, stood at ~90% for BHL (vs. ~63%/77% for R-Jio/Bharti), driven by a better flow-through of tariff hikes and continued market share gains.

Key highlights from the management commentary

- **Roaming charges:** The inter-circle roaming charges are impacted by seasonal variations. In 1Q, travel was curtailed due to certain geopolitical events. While lower roaming impacted reported revenue, impact on profitability was minimal.
- **Elevated costs:** There were certain year-end provisions in employee costs in 4QFY25, while other expenses were also lower in 4Q due to the reversal of certain USOF provisions. Management indicated that underlying growth in opex was ~2-3% (vs. ~7% reported in 1QFY26).
- **Capex:** Similar to Airtel, management expects BHL's capex to also taper down modestly in FY26 as there is no major rural rollout planned in BHL's circles.
- **Capital allocation:** The capital allocation policy would be similar to parent, Bharti Airtel. It will be a prudent mix of deleveraging, increase in dividend payments and growth capex (wider 5G coverage, ramp-up of home broadband).
- **Data usage:** The data usage in BHL circles is significantly higher than pan-India levels, due to lower availability of fixed broadband in these circles.
- **Lease-related costs:** The incremental EBITDAaL margins were impacted by accelerated network rollout during FY25 and, going ahead, rollouts are likely to be more gradual, which should lead to a lower gap in EBITDA and EBITDAaL margins.

Valuation and view

- BHL provides a pure-play exposure to Bharti Airtel's fast-growing India wireless and home broadband segments with slightly better growth prospects and lower capital misallocation concerns.
- However, since its listing, the stock has re-rated significantly and now trades at ~17.5x one-year forward EV/EBITDA (~28% premium to Bharti's India business excl. Indus).
- We find such a sharp premium to Bharti's more diversified business to be too steep and do not find the risk-reward attractive for BHL shareholders. We continue to prefer Bharti over BHL.

- Our FY26-28E EBITDA estimates are broadly unchanged. We model a CAGR of ~13%/21% in BHL's revenue/EBITDA over FY25-28E, driven by a potential ~15% tariff hike in Dec'25, ramp-up of FWA offerings and continued market share gains.
- We ascribe a DCF-based Sep'27E EV/EBITDA of 14.6x (~10% premium to our multiple for Bharti's India wireless business) to BHL. Given its significant premium to Bharti for largely similar growth rates, we **reiterate our Neutral rating on BHL with a revised TP of INR2,010**.

Consolidated - Quarterly earnings summary

Y/E March	FY25				FY26E				FY25	FY26	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Var (%)
Revenue	19,106	20,976	22,507	22,890	22,630	23,082	23,906	25,198	85,479	94,816	23,441	-3.5
YoY Change (%)	13.6%	20.7%	25.0%	22.5%	18.4%	10.0%	6.2%	10.1%	20.6%	10.9%		
Total Expenditure	10,348	10,957	10,990	11,212	11,023	10,780	10,665	10,715	43,507	43,183	11,383	-3.2
EBITDA	8,758	10,019	11,517	11,678	11,607	12,302	13,241	14,483	41,972	51,634	12,058	-3.7
YoY Change (%)	5.5%	21.3%	39.2%	33.0%	32.5%	22.8%	15.0%	24.0%	49.1	54.5		
Depreciation	4,957	5,361	5,315	5,312	5,273	5,405	5,540	5,748	20,945	21,966	5,403	-2.4
Net Finance cost	1,615	1,754	1,802	1,712	1,541	1,510	1,480	1,475	6,883	6,006	1,626	-5.3
Other Income	399	491	450	478	475	500	500	525	1,818	2,000	500	-5.0
PBT before EO expense	2,585	3,395	4,850	5,132	5,268	5,887	6,721	7,785	15,962	25,661	5,529	-4.7
Extra-Ord expense	-3,183	0	1,057	0	0	0	0	0	-2,126	0	0	
PBT	5,768	3,395	3,793	5,132	5,268	5,887	6,721	7,785	18,088	25,661	5,529	-4.7
Tax	656.0	864.0	1,184.0	448.0	1,352.0	1,481.8	1,691.8	1,959.5	3,152.0	6,459.0	1,391.6	-2.8
Rate (%)	11.4%	25.4%	31.2%	8.7%	25.7%	25.2%	25.2%	25.2%	17.4%	25.2%		
Minority Interest & P/L of Asso. Cos.												
Reported PAT	5,112	2,531	2,609	4,684	3,916	4,405	5,030	5,825	14,936	19,202	4,137	-5.3
Adj PAT	1,929	2,531	3,666	3,802	3,916	4,405	5,030	5,825	12,810	19,202	4,137	-5.3
YoY Change (%)	-23.8%	112.8%	72.4%	70.8%	103.0%	74.1%	37.2%	53.2%	58.7%	49.9%		

E: MOFSL Estimates

We ascribe a TP of INR2,010 to BHL

	Valuation base (INR b)	Multiple (X)		Valuation	
	Sep'27 EBITDA	EBITDA	Other	(INR b)	(INR/sh)
BHL					
Mobility	67	14.6	DCF implied	982	1,963
Homes and offices	3	14.6		46	92
BHL EV	68	15.1		1,028	2,056
Net debt (including leases)				38	76
Dividends				15	30
BHL equity value				1,005	2,010