REDUCE Bharti Hexacom

Strong ARPU growth, stretched valuations

Telecommunications | Result Update | August 05, 2026

CMP (Rs): 1,553 | TP (Rs): 1,600

Bharti Hexacom (Hexacom) reported results ahead of expectations, driven by 2.8% qoq increase in mobile services ARPU, which led to 4.0% qoq revenue growth (vs street expectations of 3.1% qoq). EBITDA margin improved 20bps qoq due to increase in network costs and access charges. We attribute the strong ARPU improvement to robust postpaid subscriber addition and an increasing share of data customers and smartphone users. Hexacom continues to execute well, attracting a high-quality, sticky customer base on the back of its strong network and brand. However, given rich valuations (12.6x FY28E EV/EBITDA), we maintain REDUCE. We increase our TP by 3.2% to Rs1,600 from Rs1,550, as we roll over to 1QFY29E TTM EBITDA. Key risks to our thesis include higher-than-expected ARPU improvement, significant market-share gains from peers, and momentum in Home Services.

Mobile Services: ARPU drives revenue growth

The Mobile Services segment reported 3.7% qoq revenue growth to Rs24bn, as ARPU increased to Rs259 from Rs252. This diverges from Reliance Jio's flat ARPU (Rs215.6), which we attribute to stronger postpaid subscriber additions and an increasing share of 4G/5G subscribers. Mobile services EBITDA margin increased 30bps qoq to 55.3%. Capex came down sharply to Rs2.2bn (vs Rs4.3bn in 4QFY26), resulting in OFCF of Rs11bn (vs Rs8.4bn in 4QFY26).

Home Services: Investing in a long-term opportunity

Home Services revenue growth momentum slowed to 7.9% qoq, on a high base of 20.6% qoq in 4QFY26. The company added 75k home customers vs a record-high 148k in 4QFY26. ARPU was flat qoq at Rs482. EBITDA margin improved further, by 154bps qoq to 39.7%; margins for this business continue to increase, up 790bps yoy. Heightened capex (Rs1.6bn, flat qoq), dragged cashflow (outflow of Rs1.1bn). For the Homes Services business, Hexacom is prioritizing fiber, given its superior performance; FWA is used only in challenging geographies where connecting fiber is cost-prohibitive. The company has slowed FWA subscriber additions to focus on higher-quality additions, in light of the increase in cost of subscriber addition due to higher chipset prices.

Outlook and valuations: Strong execution; expensive valuations

While we believe Hexacom's strong brand and network continue to drive industry-leading revenue growth, we believe street's ARPU growth forecasts are optimistic. We build in 12.3%/15.3% revenue/EBITDA CAGR over FY26-28E, vs 13.8%/17.5% for the street. The stock trades at 14.6x/12.6x FY27E/FY28E EV/EBITDA. Considering optimistic growth expectations and expensive valuations, we see the risk-reward as unfavorable. We maintain REDUCE and increase our TP to Rs1,600, as we roll over to 1QFY29E TTM EBITDA, while maintaining 13x target multiple.

Bharti Hexacom: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	85,479	93,538	104,237	117,900	129,601
EBITDA	41,972	48,904	55,911	65,002	72,054
Adj. PAT	12,810	17,669	22,206	28,104	31,884
Adj. EPS (Rs)	25.6	35.3	44.4	56.2	63.8
EBITDA margin (%)	49.1	52.3	53.6	55.1	55.6
EBITDA growth (%)	24.9	16.5	14.3	16.3	10.8
Adj. EPS growth (%)	58.7	37.9	25.7	26.6	13.5
RoE (%)	24.2	27.0	28.6	30.7	29.5
RoIC (%)	21.0	26.7	32.0	43.9	59.8
P/E (x)	52.0	44.8	35.0	27.6	24.3
EV/EBITDA (x)	20.3	17.4	15.2	13.1	11.8
P/B (x)	13.1	10.8	9.3	7.8	6.7
FCFF yield (%)	2.4	3.5	4.8	5.3	5.8

Source: Company, Emkay Research

Target Price – 12M	Jun-27
Change in TP (%)	**3.2**
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	3.0

Stock Data	**BHARTIHE IN**
52-week High (Rs)	1,956
52-week Low (Rs)	1,430
Shares outstanding (mn)	500.0
Market-cap (Rs bn)	776
Market-cap (USD mn)	8,161
Net-debt, FY27E (Rs mn)	46,133.8
ADTV-3M (mn shares)	0.2
ADTV-3M (Rs mn)	338.2
ADTV-3M (USD mn)	3.6
Free float (%)	0.2
Nifty-50	24,624.7
INR/USD	95.1

Shareholding,Jun-26	
Promoters (%)	70.0
FPIs/MFs (%)	3.6/10.6

Price Performance

(%)	1M	3M	12M
Absolute	6.8	4.7	(15.9)
Rel. to Nifty	5.2	2.2	(15.9)

1-Year share price trend (Rs)

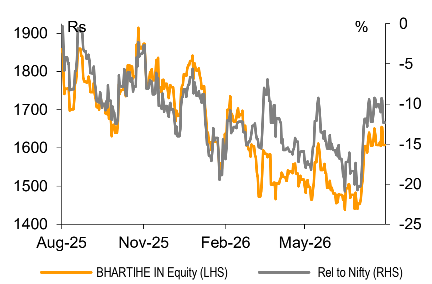

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Exhibit 1: Quarterly performance summary

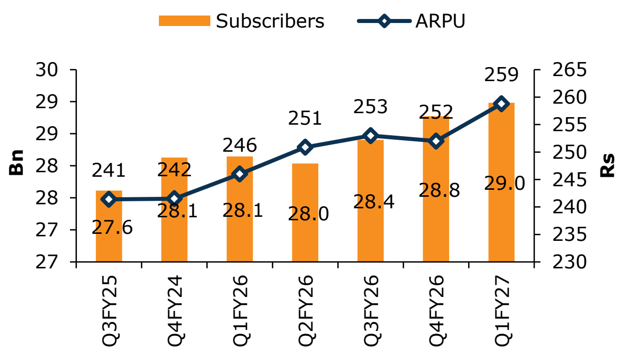
Rs mn	1QFY27	4QFY26	qoq	1QFY26	yoy
Revenue	25,100	24,137	*4.0%*	22,630	*10.9%*
EBITDA	13,750	12,672	*8.5%*	11,607	*18.5%*
EBITDA margin	54.8%	52.5%	*228bps*	51.3%	*349bps*
EBIT	7,700	7,024	*9.6%*	6,334	*21.6%*
EBIT margin	30.7%	29.1%	*158bps*	28.0%	*269bps*
PBT	6,530	6,062	*7.7%*	5,268	*24.0%*
PAT	4,824	4,467	*8.0%*	3,916	*23.2%*
PAT margin	19.2%	18.5%	*71bps*	17.3%	*191bps*
Capex	3,820	5,861	*-35%*	2,270	*68%*
OFCF	9,927	7,277	*36%*	9,902	*0%*

	1QFY27	4QFY26	qoq	1QFY26	yoy
Mobile Services					
Revenue	23,953	23,089	*3.7%*	21,916	*9.3%*
EBITDA	13,247	12,691	*4.4%*	11,923	*11.1%*
EBITDA margin	55.3%	55.0%	*34bps*	54.4%	*90bps*
Capex	2,223	4,315	*-48.5%*	1,246	*78.4%*
OFCF	11,024	8,376	*31.6%*	10,677	*3.2%*
Subscriber base (mn)	28.98	28.77	0.21	28.15	0.84
ARPU (Rs)	259	252	*2.8%*	246	*5.3%*

	1QFY27	4QFY26	qoq	1QFY26	yoy
Home Services					
Revenue	1,265	1,172	*8.0%*	784	*61.4%*
EBITDA	502	447	*12.3%*	249	*101.6%*
EBITDA margin	39.7%	38.1%	*153bps*	31.8%	*791bps*
Capex	1,599	1,546	*3.4%*	1,024	*56.2%*
OFCF	(1,097)	(1,099)		(775)	
Subscriber base (mn)	0.92	0.84	0.075	0.50	0.42
ARPU (Rs)	482	482	*0.0%*	485	*-0.6%*

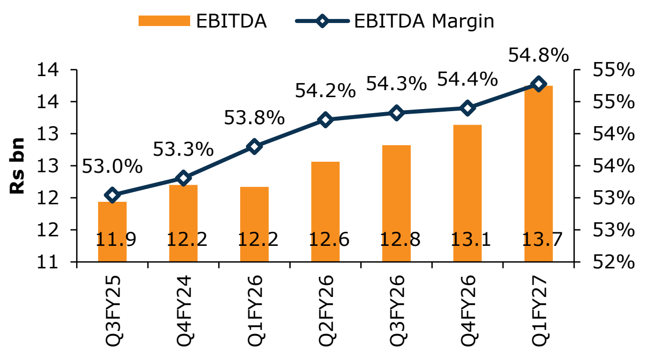
Source: Company, Emkay Research

Exhibit 2: Subscriber base and ARPU trends



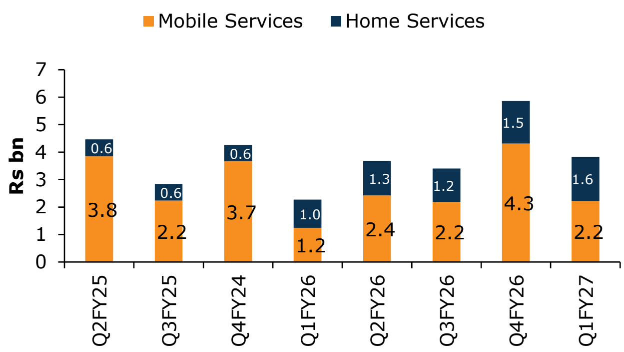
Source: Company, Emkay Research

Exhibit 3: EBITDA and EBITDA margin trends



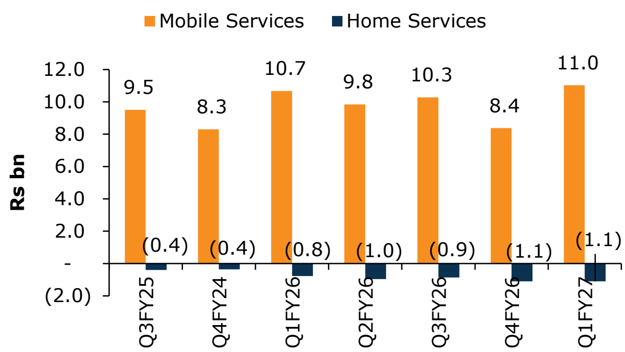
Source: Company, Emkay Research

Exhibit 4: Segmental capex trends



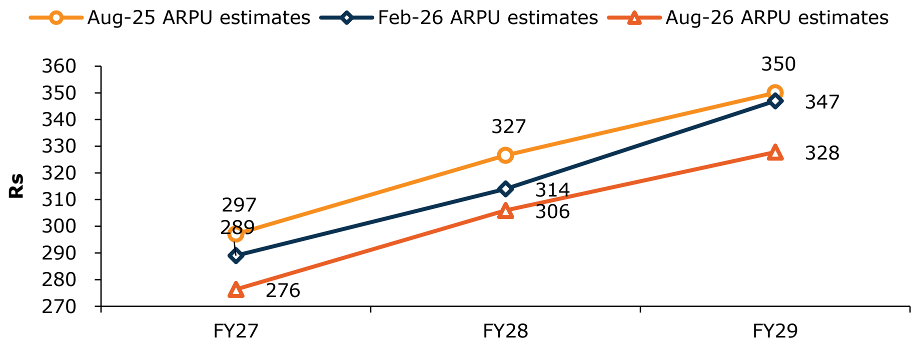
Source: Company, Emkay Research

Exhibit 5: Segmental operating free cash flow trend



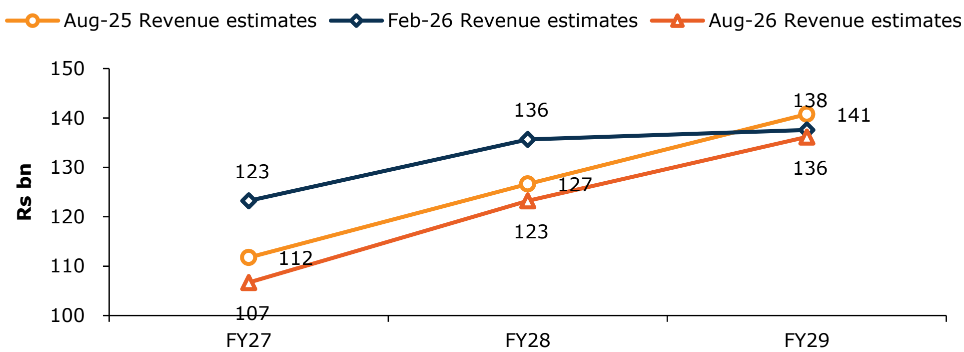
Source: Company, Emkay Research

Exhibit 6: Street has cut ARPU estimates by 6-7% over the last year



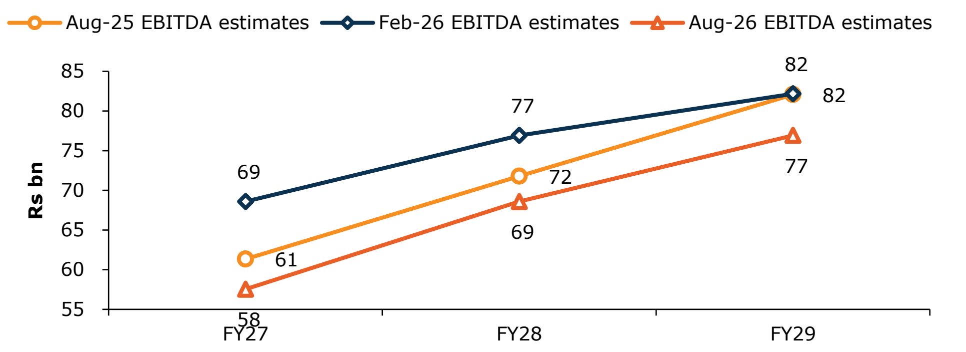
Source: Bloomberg, Emkay Research

Exhibit 7: Street has cut revenue estimates from 2.5-4.5% over the last year



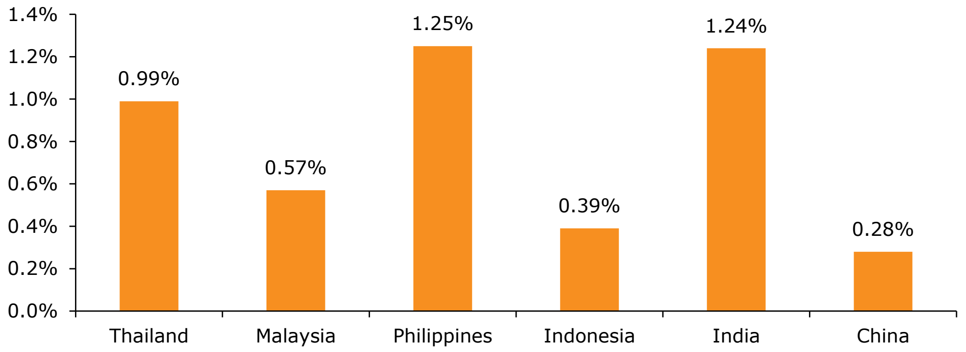
Source: Bloomberg, Emkay Research

Exhibit 8: Street has cut ESBITDA estimates from 4.5-6.5% over the last year



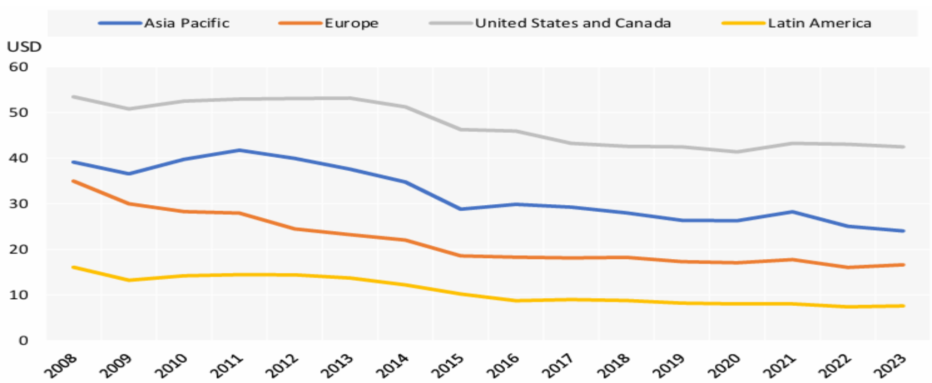
Source: Bloomberg, Emkay Research

Exhibit 9: Entry plans as a % of per-capita GDP one of the highest among developing countries



Source: UBS, Emkay Research

Exhibit 10: ARPUs globally have lagged inflation (inflation-adjusted ARPUs plotted below)



Source: OECD, Emkay Research

Investment thesis

Optimistic ARPU growth expectations: Street is currently building in 9.5% ARPU CAGR over FY26-29 for Hexacom's Mobile Services business, implicitly assuming a continuation of the tariff-hike cycle of the recovery phase (FY20-25). With structural tariff recovery complete, we expect an ARPU CAGR of 7.5%, on the back of the last round of tariff hike before the next capex cycle. The street has already cut FY28 ARPU from Rs327 to Rs306. We expect this ARPU downgrade cycle to continue dragging down EBITDA.

Key risks

- Higher-than-expected tariff hikes
- Higher market-share gains from weaker players
- Momentum in the Home Services segment

1QFY27 earnings call KTAs

- ARPU stood at Rs259, benefiting from an additional calendar day and strong 4G/5G additions.
- **Mobile subscriber seasonality and home broadband outlook**
  - **Mobile trends:** The management indicated that 1Q subscriber additions were softer due to normal industry seasonality; higher net additions historically skew toward the second half of the fiscal year.
  - **Home broadband quality control:** Recent moderation in broadband customer additions stems from tightened internal acquisition-quality norms, rather than market demand shifts or higher chipset costs. The growth trajectory is expected to re-accelerate in subsequent quarters.
- **Market opportunity and capex**
  - **Fiber strategy:** Bharti Hexacom will prioritize fiber over wireless network. However, some circles of Rajasthan and the Northeast feature challenging geography; here, the company uses a tailored hybrid strategy of FWA and FTTH, rather than relying solely on fiber.
  - **Capex focus:** Capital deployment remains focused on 5G densification, network modernization, and expansion of the Homes and IPTV ecosystem.
  - **B2B/data centers:** Unlike its parent entity, Hexacom does not operate standalone enterprise cloud or data center businesses. However, the company reiterated that it will continue to invest wherever necessary to drive profitable growth.
- **Financial mechanics: Operating costs and depreciation**
  - **Energy Costs:** Energy expenses remained flat sequentially, due to higher solar generation across tower sites during the quarter, offsetting partial diesel price hikes and inventory lag.
  - **Depreciation jump:** The 4.9% sequential increase in depreciation was driven by the extra calendar day and recent Customer Premises Equipment / IPTV rollouts.
  - **Homes segment profitability:** Margin dilution in the early-stage CPE business is temporary, due to scale-building and the fiber leasing structure; unit economics remain healthy and identical to the broader market.

Bharti Hexacom: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**85,479**	**93,538**	**104,237**	**117,900**	**129,601**
Revenue growth (%)	20.6	9.4	11.4	13.1	9.9
EBITDA	**41,972**	**48,904**	**55,911**	**65,002**	**72,054**
EBITDA growth (%)	24.9	16.5	14.3	16.3	10.8
Depreciation & Amortization	20,945	22,132	23,729	24,787	26,198
EBIT	**21,027**	**26,772**	**32,182**	**40,216**	**45,856**
EBIT growth (%)	29.6	27.3	20.2	25.0	14.0
Other operating income	-	-	-	-	-
Other income	1,818	2,238	2,946	2,957	2,957
Financial expense	6,883	6,012	5,422	5,700	6,301
PBT	**15,962**	**22,998**	**29,706**	**37,472**	**42,513**
Extraordinary items	2,126	(337)	0	0	0
Taxes	3,152	5,329	7,500	9,368	10,628
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**14,936**	**17,332**	**22,206**	**28,104**	**31,884**
PAT growth (%)	196.1	16.0	28.1	26.6	13.5
Adjusted PAT	**12,810**	**17,669**	**22,206**	**28,104**	**31,884**
Diluted EPS (Rs)	**25.6**	**35.3**	**44.4**	**56.2**	**63.8**
Diluted EPS growth (%)	58.7	37.9	25.7	26.6	13.5
DPS (Rs)	**4.0**	**10.0**	**20.0**	**25.0**	**30.0**
Dividend payout (%)	**13.4**	**28.8**	**45.0**	**44.5**	**47.0**
EBITDA margin (%)	49.1	52.3	53.6	55.1	55.6
EBIT margin (%)	24.6	28.6	30.9	34.1	35.4
Effective tax rate (%)	19.7	23.2	25.2	25.0	25.0
NOPLAT (pre-IndAS)	**16,875**	**20,569**	**24,057**	**30,162**	**34,392**
Shares outstanding (mn)	500	500	500	500	500

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	2,500	2,500	2,500	2,500	2,500
Reserves & Surplus	56,821	69,152	81,355	96,959	113,843
Net worth	**59,321**	**71,652**	**83,855**	**99,459**	**116,343**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	(14,462)	(15,037)	(14,084)	(14,084)	(14,084)
Total debt	**73,700**	**61,538**	**66,101**	**73,212**	**81,529**
Total liabilities & equity	**125,951**	**124,407**	**141,812**	**164,526**	**189,729**
Net tangible fixed assets	48,749	47,762	52,060	57,015	61,882
Net intangible assets	62,521	57,773	45,274	30,626	16,343
Net ROU assets	41,009	37,642	41,859	48,969	57,287
Capital WIP	2,973	1,969	1,969	1,969	1,969
Goodwill	-	-	-	-	-
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**4,946**	**4,878**	**19,968**	**46,789**	**74,799**
Current assets (ex-cash)	18,813	21,644	32,738	32,897	33,078
Current Liab. & Prov.	52,097	51,062	55,817	57,499	59,391
NWC (ex-cash)	**(33,284)**	**(29,418)**	**(23,079)**	**(24,603)**	**(26,313)**
Total assets	**130,901**	**124,408**	**141,813**	**164,527**	**189,730**
Net debt	68,754	56,660	46,134	26,423	6,731
Capital employed	125,951	124,407	141,812	164,526	189,729
Invested capital	**77,986**	**76,117**	**74,255**	**63,038**	**51,913**
BVPS (Rs)	118.6	143.3	167.7	198.9	232.7
Net Debt/Equity (x)	1.2	0.8	0.6	0.3	0.1
Net Debt/EBITDA (x)	1.6	1.2	0.8	0.4	0.1
Interest coverage (x)	3.3	4.8	6.5	7.6	7.7
RoCE (%)	**17.5**	**21.8**	**24.8**	**26.8**	**26.3**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	18,088	22,661	29,706	37,472	42,513
Others (non-cash items)	(2,199)	167	(87)	0	0
Taxes paid	(6,747)	(7,332)	(5,720)	(9,368)	(10,628)
Change in NWC	8,864	1,051	2,727	1,524	1,710
Operating cash flow	**45,827**	**44,640**	**55,665**	**60,115**	**66,093**
Capital expenditure	(25,171)	(14,829)	(14,378)	(15,094)	(16,782)
Acquisition of business	4	5	6	7	8
Interest & dividend income	29	81	58	0	0
Investing cash flow	**(23,402)**	**(20,097)**	**(25,074)**	**(15,087)**	**(16,774)**
Equity raised/(repaid)	4	5	6	7	8
Debt raised/(repaid)	(11,790)	(10,952)	0	0	-
Payment of lease liabilities	(3,462)	(3,615)	(3,229)	(3,536)	(4,136)
Interest paid	(5,395)	(4,812)	(2,229)	(2,165)	(2,165)
Dividend paid (incl tax)	(2,000)	(5,000)	(10,000)	(12,500)	(15,000)
Others	-	-	-	-	-
Financing cash flow	**(22,643)**	**(24,374)**	**(15,452)**	**(18,193)**	**(21,293)**
Net chg in Cash	(218)	169	15,140	26,835	28,026
OCF	45,827	44,640	55,665	60,115	66,093
Adj. OCF (w/o NWC chg.)	36,963	43,589	52,938	58,591	64,384
FCFF	20,656	29,811	41,288	45,021	49,311
FCFE	13,802	23,880	35,924	39,321	43,010
OCF/EBITDA (%)	109.2	91.3	99.6	92.5	91.7
FCFE/PAT (%)	92.4	137.8	161.8	139.9	134.9
FCFF/NOPLAT (%)	**122.4**	**144.9**	**171.6**	**149.3**	**143.4**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	52.0	44.8	35.0	27.6	24.3
EV/CE(x)	6.4	6.4	5.7	4.9	4.3
P/B (x)	13.1	10.8	9.3	7.8	6.7
EV/Sales (x)	10.0	9.1	8.2	7.2	6.6
EV/EBITDA (x)	20.3	17.4	15.2	13.1	11.8
EV/EBIT(x)	40.5	31.8	26.5	21.2	18.6
EV/IC (x)	10.9	11.2	11.5	13.5	16.4
FCFF yield (%)	2.4	3.5	4.8	5.3	5.8
FCFE yield (%)	1.8	3.1	4.6	5.1	5.5
Dividend yield (%)	0.3	0.6	1.3	1.6	1.9
DuPont-RoE split					
Net profit margin (%)	15.0	18.9	21.3	23.8	24.6
Total asset turnover (x)	0.9	1.1	1.1	1.1	1.0
Assets/Equity (x)	1.7	1.3	1.2	1.2	1.1
RoE (%)	**24.2**	**27.0**	**28.6**	**30.7**	**29.5**
DuPont-RoIC					
NOPLAT margin (%)	19.7	22.0	23.1	25.6	26.5
IC turnover (x)	1.1	1.2	1.4	1.7	2.3
RoIC (%)	**21.0**	**26.7**	**32.0**	**43.9**	**59.8**
Operating metrics					
Core NWC days	(142.1)	(114.8)	(80.8)	(76.2)	(74.1)
Total NWC days	**(142.1)**	**(114.8)**	**(80.8)**	**(76.2)**	**(74.1)**
Fixed asset turnover	1.7	1.9	2.1	2.2	2.2
Opex-to-revenue (%)	50.9	47.7	46.4	44.9	44.4

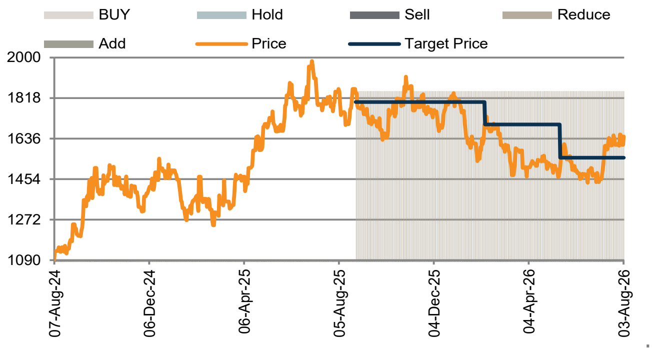
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
14-May-26	1,510	1,550	Reduce	Pranav Kshatriya
26-Mar-26	1,583	1,700	Reduce	Pranav Kshatriya
07-Feb-26	1,700	1,700	Reduce	Pranav Kshatriya
05-Nov-25	1,873	1,800	Reduce	Pranav Kshatriya
26-Aug-25	1,840	1,800	Reduce	Pranav Kshatriya

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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

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