

Estimate changes

TP change

Rating change



Bloomberg	IDEA IN
Equity Shares (m)	48680
M.Cap.(INRb)/(USDb)	705.9 / 8.5
52-Week Range (INR)	18 / 6
1, 6, 12 Rel. Per (%)	-8/64/91
12M Avg Val (INR M)	2835

Financials & Valuations (INR b)

INR b	FY23	FY24E	FY25E
Net Sales	422	428	457
EBITDA	168	172	198
Adj. PAT	-293	-324	-274
EBITDA Margin (%)	39.9	40.2	43.4
Adj. EPS (INR)	-10.2	-11.3	-9.5
EPS Gr. (%)	3.1	10.6	-15.4
BV/Sh. (INR)	-23.2	-33.0	-41.5
Ratios			
Net D:E	-3.3	-2.4	-2.0
RoE (%)	NM	NM	NM
RoCE (%)	-3.9	-3.7	-2.4
Payout (%)	0.0	0.0	0.0
Valuations			
EV/EBITDA (x)	18.7	18.7	16.7
P/E (x)	-1.4	-1.3	-1.5
P/B (x)	-0.6	-0.4	-0.3
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	50.4	50.4	75.0
DII	36.2	35.0	1.3
FII	2.3	2.5	3.6
Others	11.2	13.4	20.1

FII Includes depository receipts

CMP: INR15

TP: INR14 (-3%)

Neutral

Controlled cost led EBITDA growth

- VIL reported 4% QoQ EBITDA growth (pre Ind AS-116), led by reduction in network opex attributed to seasonality and decreased roaming/access cost. This is despite flat revenue growth, which was adversely affected by the loss of 4.6m subscribers. This was partially mitigated by a 2% QoQ growth in ARPU.
- VIL continues to lose market share, partly accentuated by recent tariff hikes. It continues to explore avenues for fundraising, complemented by financial support of INR20b from one of its promoters. However, the liquidity situation continues to appear bleak, given that there is a scheduled debt repayment of INR54b in the next one year, against 3QFY24 annualized EBITDA (pre IND-AS 116) of INR86b. We reiterate our **Neutral** stance on the stock.

Net loss continues

- VIL's revenue was flat QoQ to INR107b (in line) as 2% QoQ subscriber loss (4.6m loss) was offset by 2% QoQ ARPU growth.
- Reported EBITDA grew 2% QoQ to INR43.5b (in line), led by a drop in network expenses (by 90bp QoQ) and a decrease in roaming and access charges (by 70bp QoQ). These were offset by a rise in subscriber addition costs (up 50bp QoQ) during the quarter. Margin improved 80bp QoQ to 40.8%.
- Pre-Ind-AS EBITDA grew 4% QoQ to INR21.4b (in line) and margin improved 80bp QoQ to 20.1%.
- Adj. net loss declined to INR77b from INR87b in 2QFY24, due to higher EBITDA.
- VIL reported a gain of INR7.6b from the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) ruling.
- Net debt remained high at INR2.1t.** About 97% of this debt is attributed to Spectrum and AGR, whereas the market debt declined INR18b to INR61b.
- Capex** spending remained at INR3.3b in 3Q and INR13b in 9MFY24.
- The 9MFY24 revenue/Pre-Ind-AS EBITDA/PAT rose 1%/was flat/up 3% YoY.

Highlights from the management commentary

- Following the reduction in bank loans, the company's primary focus will shift toward the repayment of creditors/vendors.
- Expanded the tariff hike to include 16 circles by reducing the validity from 28 days to 15 days in the base plan. The company observed a loss of subscribers due to the shortened validity plan, prompting a strategic shift toward promoting unlimited plans.
- The company continues to upgrade non-4G sites to 4G sites, by reforming the spectrum. Expect 5G to roll out in 6-7 months.
- Out of the total INR54b debt payable in the next one year, INR16b pertains to OCD (where repayment is dependent on whether conversion happens or not). The remaining portions represent unconditional payments.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motiloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- VIL has experienced continued rise in ARPU, led by the shift to 4G, higher data monetization, and increase in minimum recharge vouchers. However, there has been a notable increase in subscriber churn during this period.
- The capex directed toward the rollout of 4G and 5G holds significant importance. Thus, the much-awaited capital raise continues to be crucial, as it is essential to ensure immediate liquidity and facilitate the expansion of the network.
- Further, it still holds a debt of INR2.1t with an annual installment of INR430b from FY26 onwards. This looks challenging against 3QFY24 annualized EBITDA (IND-AS 116) of INR86b.
- The significant amount of cash required to service debt leaves limited upside opportunities for equity holders, despite the high operating leverage opportunity from any source of ARPU increase. The current low EBITDA will make it challenging to service debt without an external fund infusion. Assuming 14x EV/EBITDA, with a net debt of INR2.1t, leaves limited opportunity for equity shareholders. We reiterate our Neutral rating on the stock.

Consolidated - Quarterly Earning Model

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE	(%)	
Revenue	104	106	106	105	107	107	107	107	422	428	107	-0.7
YoY Change (%)	13.7	12.8	9.3	2.9	2.4	1.0	0.5	1.7	9.5	1.4	-1.4	
Total Expenditure	61	65	64	63	65	64	63	63	254	256	64	-1.6
EBITDA	43	41	42	42	42	43	44	44	168	172	43	0.7
YoY Change (%)	16.7	6.1	9.5	-9.4	-4.0	4.5	4.1	4.6	4.9	2.3	0.8	
Depreciation	58	57	59	57	56	57	56	60	230	229	58	-2.7
Net Finance Costs	58	60	63	49	64	65	65	64	230	258	54	19.8
PBT before EO expense	-73	-76	-80	-64	-78	-79	-77	-81	-293	-316	-69	-12.9
Extra-Ord expense	0	0	0	0	0	0	-8	0	0	-8	0	
PBT	-73	-76	-80	-64	-78	-79	-70	-81	-293	-308	-69	-1.9
Tax	0.0	0.0	0.0	0.0	0.0	8.2	0.0	0.0	0.0	8.2	0.0	
Rate (%)	-0.1	-0.1	0.0	0.1	0.0	-10.3	0.0	0.0	0.0	-2.7	0.0	
Reported PAT	-73	-76	-80	-64	-78	-87	-70	-81	-293	-316	-69	-1.9
Adj PAT	-73	-76	-80	-64	-78	-87	-77	-81	-293	-324	-69	-12.9
YoY Change (%)	-2.7	6.3	10.7	-2.3	7.4	15.0	-3.1	26.2	3.1	10.6	10.1	

E: MOFSL Estimates

Debt Break-up (INR b)

Net debt classification	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ
Spectrum debt	1,113	1,139	1,166	1,367	1,398	1,307	1,337	1,351	1,382	31
Market debt	231	181	152	151	132	114	95	79	61	(18)
Optionally Convertible Debentures	0	0	0	0	0	16	16	16	17	1
Total debt	1,344	1,319	1,318	1,517	1,530	1,437	1,449	1,446	1,460	14
Cash and equivalents	15	15	9	2	2	2	3	1	3	2
Net Debt excluding AGR	1,329	1,305	1,309	1,515	1,528	1,435	1,446	1,445	1,456	12
AGR dues	646	660	673	686	699	656	669	682	690	8
Net debt including AGR	1,975	1,964	1,982	2,201	2,227	2,090	2,115	2,127	2,147	20

Operating performance

- VIL's subscriber loss (since the last 21 quarters) of 4.6m in 3QFY24 (vs. average 4m loss in the last eight quarters) to 215.2m
 - Active subscribers too declined 3.1m (vs. average 4.1m loss in the last eight quarters) to 196.7m
 - The churn was higher at 4.3% (vs. 4.1% in 2QFY24)
 - Data subscribers were flat QoQ at 137.4m
 - 4G subscribers grew 0.9m QoQ to 125.6m
- ARPU grew 2% QoQ to INR145, led by improving subscriber mix, 4G subscriber additions, and a change in the entry-level plan.
- Data traffic declined 2% QoQ to 6b GB. Data usage/subscribers declined 2% QoQ to 14.6GB.
- MOU (min/sub/month) stood flat QoQ at 614mins.

Liquidity position

- The Group's financial performance has impacted its ability to generate CF. The net WC (excluding ST borrowings, lease liability, accrual towards litigation) is reported as negative, amounting to INR206b.
- **Debt payable by Dec'24 is INR54b** and the total net debt stands at INR2.1t.
- As of 31 Dec'23, INR27.7b has been classified as the current maturity of LT liabilities on account of not meeting certain covenant clauses.

Exhibit 1: Valuation based on FY26E EV/EBITDA

	Methodology	Driver	Multiple	Fair Value (INRb)	Value/sh (INR)
Consol EBITDA	EV/EBITDA	236	14	3,347	69
Less Net debt				2,860	2,662
Total Value				686	14
Shares o/s (b)				48.7	
CMP (INR)					14.5
Upside (%)					-3

Source: MOFSL, Company



Highlights from the management commentary

Key takeaways

- Following the reduction in bank loans, the company's primary focus will shift toward the repayment of creditors/vendors.
- Expanded the tariff hike to include 16 circles by reducing the validity from 28 days to 15 days in the base plan. The company observed a loss of subscribers due to the shortened validity plan, prompting a strategic shift toward promoting unlimited plans.
- The company continues to upgrade non-4G sites to 4G sites by reforming the spectrum. Expect 5G to roll out in 6-7 months.
- Out of the total INR54b debt payable in the next one year, INR16b pertains to OCD (with repayment contingent on the occurrence of conversion). The remaining portions represent unconditional payments.

Commentary in detail

Upgrading to 4G

- The company continues to upgrade non-4G sites to 4G sites by reforming the spectrum (added 700 4G towers in one year and 5200 4G broadband sites). This has increased the broadband coverage and expanded the capacity.
- The company has shut down 3G services in five circles of Gujarat, Andhra Pradesh, Maharashtra, Mumbai, and Kolkata by reforming the spectrum in these circles to 4G.
- The company continues to close 3G sites and expects to close all 3G sites in another year.
- Discussions are ongoing with various partners to develop 5G infrastructure and 5G use cases. Expect 5G to roll out in 6-7 months.

Subscriber reduction

- Expanded the tariff hike to include 16 circles by reducing the validity from 28 days to 15 days in the base plan. The company observed a loss of subscribers due to the shortened validity plan, prompting a strategic shift toward promoting unlimited plans.
- Continues to focus on its priority 17 circles, which covered 98% of VIL revenue and 92% of industry revenue.
- Leveraging Vi app for a) entertainment, food, shopping b) flights booking and c) recharges. Planning to add hotel booking in Vi app.

Financials

- Following the reduction in bank loans, the company's primary focus will shift toward the repayment of creditors/vendors.
- Network cost was lower during the quarter due to the seasonal effect and reduction in energy cost.
- The company reported a gain of INR7.6b from Telecom Disputes Settlement and Appellate Tribunal (TDSAT) ruling. This ruling pertains to the excess amount paid during the merger, which has now received approval from the DOT. This will be adjusted towards spectrum/AGR dues.

- Reduction in subscriber is apparently due to two reasons- a) high base of 2QFY24 as the company has seen lower net loss due to subscriber adds, led by Indira Gandhi scheme and b) increase in the base-level plan tariff.

Near-term repayment

- Out of the total INR54b debt payable in the next one year, INR16b pertains to OCD (with repayment contingent on the occurrence of conversion). The remaining portions represent unconditional payments.

Exhibit 2: Consolidated performance

Consolidated P&L (INR m)	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s est (%)
Revenue	1,06,206	1,07,163	1,06,731	0.5	-0.4	1,07,436	-0.7
Operating expenses	64,398	64,335	63,227	-1.8	-1.7	64,234	-1.6
EBITDA	41,808	42,828	43,504	4.1	1.6	43,202	0.7
EBITDA margin (%)	39.4	40.0	40.8	140bps	80bps	40.2	55bps
EBITDA (pre IND AS 116)	20,008	20,600	21,400	7.0	3.9	20,974	2.0
EBITDA margin (%) (pre IND AS 116)	18.8	19.2	20.1	121bps	83bps	19.5	53bps
Depreciation and amortization	58,860	56,673	55,984	-4.9	-1.2	57,567	-2.7
EBIT	-17,052	-13,845	-12,480	-26.8	-9.9	-14,365	13.1
EBIT margin (%)	-16.1	-12.9	-11.7	436bps	123bps	-13.4	168bps
Net Finance Costs	62,847	65,345	64,931	3.3	-0.6	54,188	19.8
Share of Associates	2	-12	-11	-650.0	-8.3	-12	-10.1
Profit before Tax	-79,897	-79,202	-77,422	-3.1	-2.2	-68,565	-12.9
Exceptional item (gain)/loss	0	0	-7,555	NM	NM	0	NM
Tax	3	8,177	-8	-366.7	-100.1	0	NM
Tax rate (%)	0.0	-10.3	0.0	1bps	1033bps	0.0	1bps
Profit after Tax	-79,900	-87,379	-69,859	-12.6	-20.1	-68,565	-1.9
Adj. Profit after Tax	-79,900	-87,379	-77,414	-3.1	-11.4	-68,565	-12.9

Source: MOFSL, Company

Exhibit 3: Key operating metrics

Key Operating Metrics	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s est (%)
Subscriber Base (m)	228.6	219.8	215.2	-5.9%	-2.1%	218.3	-1.4
VLR Subscribers (m)	209.6	199.8	196.7	-6.2%	-1.6%		
Net VLR Subscriber (m)	-2.6	-2.9	-3.1	19.2%	6.9%		
Pre-paid Subs (%)	90.4%	89.5%	89.0%	-1.5%	-0.6%		
Blended ARPU (INR)	135.0	142.0	145.0	7.4%	2.1%	143.4	1.1
Voice metrics							
MOU (min/sub/month)	613	613	614	0.2%	0.2%	619.1	-0.8
Blended churn	4.40%	4.1%	4.3%	-2.3%	4.9%	4.1%	
Data metrics							
Data subs (m)	135.3	137.2	137.4	1.6%	0.1%		
as a % of overall subs	59.2%	62.4%	63.8%	7.9%	2.3%		
Broadband subs (m)	103.8	104.2	104.2	0.4%	0.0%		
4g subs	121.6	124.7	125.6	3.3%	0.7%		
Total Data traffic (m GB)	5,762	6,119	6,004	4.2%	-1.9%		
Data usage/subs (mb)	14,201	14,937	14,576	2.6%	-2.4%		
Tower details							
Total Unique Towers (EoP)	1,84,403	1,83,565	1,83,358	-0.6%	-0.1%		
Total Unique Broadband Towers (EoP)	1,69,805	1,70,423	1,70,351	0.3%	0.0%		
Total Broadband sites (3G+4G)	4,43,450	4,40,467	4,38,901	-1.0%	-0.4%		

Source: MOFSL, Company

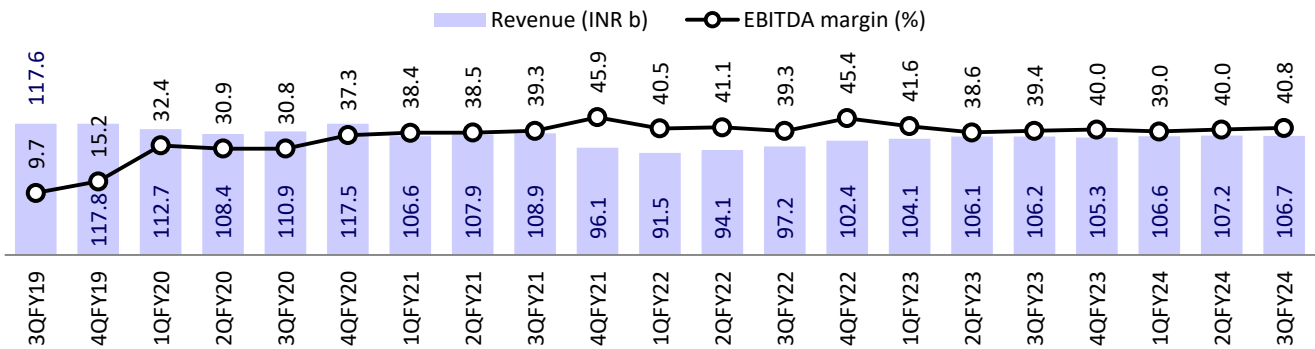
Exhibit 4: Summary of our estimate revisions

	FY24E	FY25E
Revenue (INRb)		
Old	430	463
Actual/New	428	457
Change (%)	-0.5	-1.4
EBITDA (INRb)		
Old	172	200
Actual/New	172	198
Change (%)	0.0	-0.7
EBITDA margin (%)		
Old	40.0	43.1
Actual/New	40.2	43.4
Change (bp)	19bps	30bps
Net Profit (INRb)		
Old	-303	-238
Actual/New	-316	-274
Change (%)	-4.5	-15.1
Adj. EPS (INR)		
Old	-10.5	-8.3
Actual/New	-11.3	-9.5
Change (%)	-7.0	-15.1

Source: Company, MOFSL

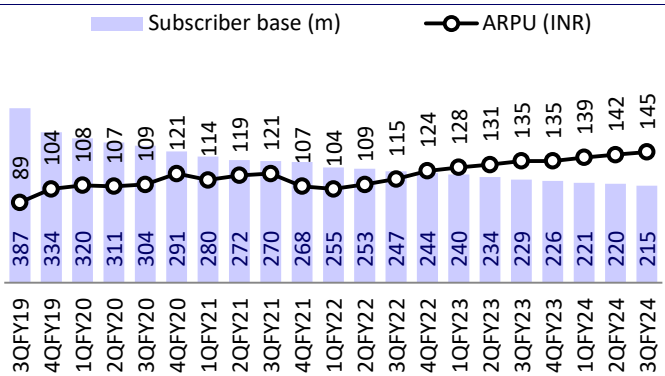
Story in charts

Exhibit 5: Revenue remained flat YoY/QoQ and EBITDA up 2% QoQ, due to lower network opex and roaming cost



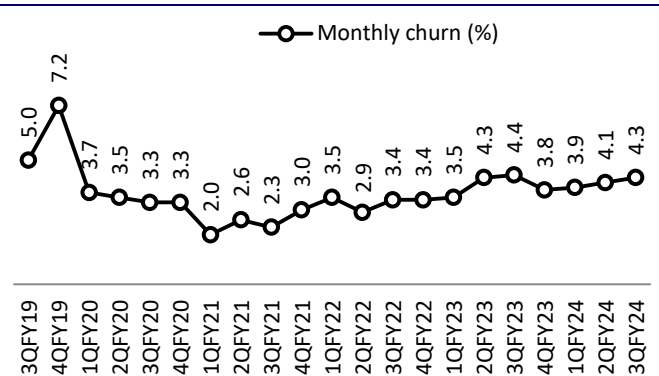
Source: MOFSL, Company

Exhibit 6: Subs declined, while ARPU increased



Source Company, MOFSL

Exhibit 7: Monthly churn remained elevated



Source Company, MOFSL

Exhibit 8: Voice traffic declining over the last many quarters

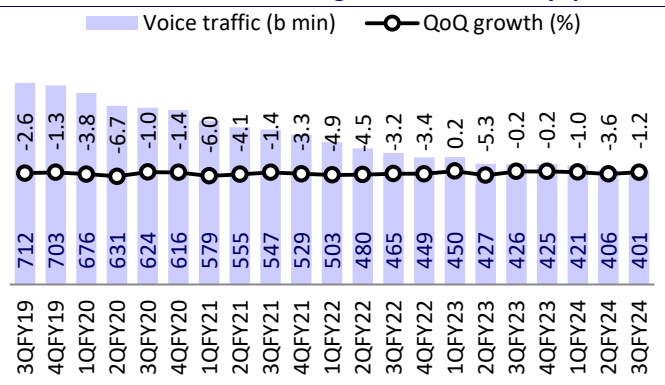
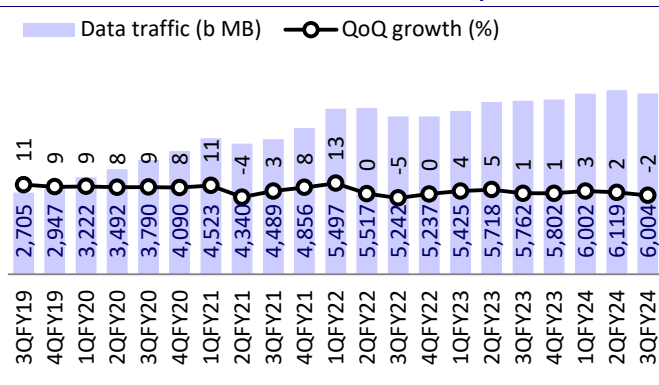


Exhibit 9: Data traffic decreases after a six-quarter rise



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	371	450	420	385	422	428	457	512
Change (%)	31.2	21.2	-6.7	-8.2	9.5	1.4	6.8	12.0
Total Expenditure	330	300	250	225	254	256	259	276
% of Sales	89.1	66.8	59.6	58.4	60.1	59.8	56.6	53.9
EBITDA	40	149	169	160	168	172	198	236
Margin (%)	10.9	33.2	40.4	41.6	39.9	40.2	43.4	46.1
Depreciation	145	244	236	236	230	229	233	237
EBIT	-105	-94	-67	-75	-62	-57	-35	-1
Int. and Finance Charges	87	144	178	209	230	258	239	239
PBT bef. EO Exp.	-192	-238	-245	-284	-293	-316	-274	-240
Share of profits of associates	2	4	2	0	0	0	0	0
EO Items	-9	384	200	-2	0	-8	0	0
PBT after EO Exp.	-182	-618	-443	-282	-293	-308	-274	-240
Total Tax	-36	121	0	0	0	8	0	0
Tax Rate (%)	19.7	-19.5	0.0	0.0	0.0	-2.7	0.0	0.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	-146	-739	-442	-282	-293	-316	-274	-240
Adjusted PAT	-161	-217	-243	-284	-293	-324	-274	-240
Change (%)	NM	34.5	11.7	17.1	3.1	10.6	-15.4	-12.3
Margin (%)	-43.5	-48.3	-57.8	-73.8	-69.4	-75.7	-60.0	-47.0

Consolidated - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	87	287	287	321	487	487	487	487
Total Reserves	509	-228	-670	-941	-1,230	-1,547	-1,821	-2,061
Net Worth	596	60	-382	-620	-744	-1,060	-1,334	-1,574
Total Loans	1,085	1,106	1,660	2,138	2,444	2,556	2,687	2,670
Deferred Tax Liabilities	-103	0	0	0	0	0	0	0
Capital Employed	1,579	1,166	1,277	1,518	1,701	1,496	1,353	1,095
Gross Block	2,147	2,471	2,524	2,653	2,878	2,913	2,948	2,983
Less: Accum. Deprn.	369	612	849	1,085	1,315	1,544	1,777	2,014
Net Fixed Assets	1,778	1,858	1,675	1,568	1,563	1,368	1,170	969
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	51	11	6	4	179	179	179	179
Total Investments	82	20	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	282	380	354	368	331	320	375	319
Inventory	0	0	0	0	0	0	0	0
Account Receivables	33	31	25	24	22	22	23	26
Cash and Bank Balance	10	27	22	35	9	39	81	8
Loans and Advances	239	322	307	309	301	259	271	285
Curr. Liability & Prov.	615	1,103	757	422	372	372	372	372
Account Payables	611	1,100	757	422	372	372	372	372
Provisions	4	4	1	1	0	0	0	0
Net Current Assets	-333	-724	-404	-54	-41	-51	3	-52
Appl. of Funds	1,579	1,166	1,277	1,518	1,701	1,496	1,353	1,095

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	-18.5	-7.6	-8.4	-9.9	-10.2	-11.3	-9.5	-8.4
Cash EPS	-1.8	0.9	-0.2	-1.7	-2.2	-3.3	-1.4	-0.1
BV/Share	68.3	2.1	-13.3	-19.3	-23.2	-33.0	-41.5	-49.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	-0.8	-1.9	-1.7	-1.5	-1.4	-1.3	-1.5	-1.7
Cash P/E	-7.9	15.8	-66.5	-8.6	-6.7	-4.4	-10.2	-117.6
P/BV	0.2	7.0	-1.1	-0.8	-0.6	-0.4	-0.3	-0.3
EV/Sales	3.2	3.3	4.9	6.7	7.4	7.5	7.2	6.6
EV/EBITDA	27.7	9.9	12.1	16.0	18.7	18.7	16.7	14.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	-37.2	-66.2	NM	NM	NM	NM	NM	NM
RoCE	-6.7	-7.9	-5.5	-5.4	-3.9	-3.7	-2.4	-0.1
RoIC	-7.8	-8.9	-5.7	-5.5	-4.2	-4.2	-2.9	-0.1
Working Capital Ratios								
Fixed Asset Turnover (x)	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2
Asset Turnover (x)	0.2	0.4	0.3	0.3	0.2	0.3	0.3	0.5
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	32	25	22	23	19	19	19	19
Leverage Ratio (x)								
Current Ratio	0.5	0.3	0.5	0.9	0.9	0.9	1.0	0.9
Interest Cover Ratio	-1.2	-0.7	-0.4	-0.4	-0.3	-0.2	-0.1	0.0
Net Debt/Equity	1.7	17.7	-4.3	-3.4	-3.3	-2.4	-2.0	-1.7

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	-182	-618	-443	-282	-293	-316	-274	-240
Depreciation	145	244	236	236	230	229	233	237
Interest & Finance Charges	88	144	178	209	234	258	239	239
Direct Taxes Paid	3	24	8	15	-13	0	0	0
(Inc)/Dec in WC	28	-92	-14	-3	6	41	-13	-17
CF from Operations	83	-299	-34	174	189	212	185	219
Others	-29	372	191	0	0	0	0	0
CF from Operating incl EO	53	73	156	174	189	212	185	219
(Inc)/Dec in FA	-76	-78	-45	-57	-55	-35	-35	-35
Free Cash Flow	-22	-5	111	117	133	177	150	184
(Pur)/Sale of Investments	-4	65	42	0	0	0	0	0
Others	6	-15	14	0	1	0	0	0
CF from Investments	-74	-28	11	-57	-54	-35	-35	-35
Issue of Shares	0	249	0	45	4	0	0	0
Inc/(Dec) in Debt	21	-81	-44	-53	-51	112	131	-17
Interest Paid	-51	-153	-28	-28	-21	-258	-239	-239
Dividend Paid	0	0	0	0	0	0	0	0
Others	57	-65	-96	-69	-79	0	0	0
CF from Fin. Activity	28	-49	-167	-106	-147	-147	-108	-256
Inc/Dec of Cash	7	-4	0	11	-12	30	42	-73
Opening Balance	0	8	4	4	15	2	33	74
Closing Balance	8	4	4	15	2	33	74	2
Other Balances	2	23	19	20	6	6	6	6
Total Balance	10	27	22	35	9	39	81	8

E: MOFSL Estimates

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