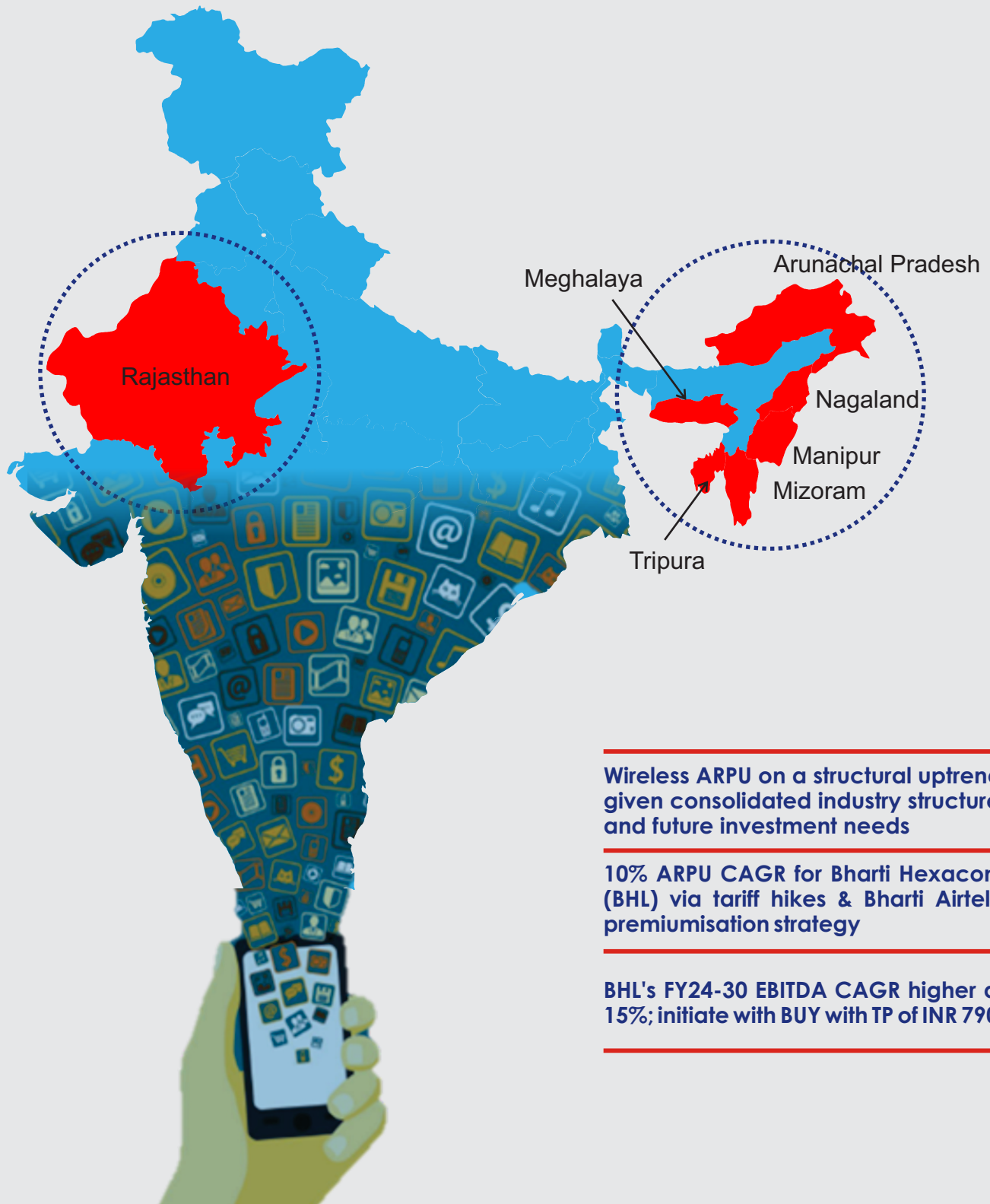


Bharti Hexacom

Mid-cap pure-play on structural wireless ARPU growth story



Wireless ARPU on a structural uptrend given consolidated industry structure and future investment needs

10% ARPU CAGR for Bharti Hexacom (BHL) via tariff hikes & Bharti Airtel's premiumisation strategy

BHL's FY24-30 EBITDA CAGR higher at 15%; initiate with BUY with TP of INR 790

Table of Contents	Page No.
Investment Thesis	3
Company Snapshot	4
Indian telecom industry: Porter analysis	6
ARPU on a structural uptrend; industry needs ARPU to rise to INR 275-300 in 3-4 years to meet future capex needs	7
Structural 10% ARPU CAGR via: a) tariff hikes; and b) MBB upgrade, post-paid additions & data monetisation	9
BHL's FY24-30 EBITDA CAGR could be higher at ~15% vs. Bharti's EBITDA CAGR of ~12%	14
Relatively lower capex - higher RoCE business vs. Bharti Airtel; likely to turn net-cash by FY29	17
Valuation	20
Financial tables	23

India wireless ARPU is on a structural uptrend given the consolidated industry, and as industry needs ARPU to rise to INR 275-300 in 3-4 years to meet future capex needs. We expect BHL's ARPU to grow at ~10% CAGR, consisting of: a) 6-7% ARPU CAGR due to regular tariff hikes; and b) 3-4% ARPU CAGR due to Bharti Airtel's premiumisation strategy. BHL's FY24-26/ FY24-30 EBITDA CAGR could be higher at ~17%/15% due to presence in high growth potential markets as Rajasthan/NE circle has: a) relatively lower teledensity; and b) relatively lower penetration of high ARPU post-paid and data subs. We initiate coverage on BHL with a BUY (TP INR 790) based on 10x FY26 EV/EBITDA (in line with valuation of Bharti Airtel's India wireless business).

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ARPU like investable. No on track to ~10% EBIT target in scenario

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ARPU like investable. Initiate BUY vs. BSL with TP of INR 2,500

Bharti Airtel strongly following its best. Initiate with BUY & TP of INR 800

Initiate VIL with HELL & BULL with BSL due to several uncertainties.

DEEP-DIVE
Bharti Airtel | BUY

Biggest beneficiary of structural ARPU growth story

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Why a tariff hike delay may structurally benefit Bharti

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Does 5G monetisation pose an edge case threat for 5G monetisation?

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Bharti Hexacom

Mid-cap pure-play on structural wireless ARPU growth story

Bharti Airtel (Bharti) is the promoter of Bharti Hexacom Ltd (BHL) and holds 70% stake; government-owned TCIL's stake is now down to 15% while public investors own 15% post-IPO.

BHL provides consumer wireless (mobile), fixed-line and broadband services in Rajasthan and North East (NE) circles under Bharti's brand "Airtel". BHL serves ~27mn wireless subscribers (subs) in these two circles; wireless business constitutes 97-98% of its revenue while the balance 2-3% is from broadband business. Also, the Rajasthan circle accounts for ~78% of its revenue and the NE circle for the remaining ~22%. BHL is the market leader in NE with a revenue market share (RMS) of 52.7% in 9MFY24 (up from 42% in FY21), while it is second in Rajasthan with RMS of 40.4% (up from 32.7% in FY21).

We expect BHL's EBITDA margin to further improve to 51.4%/57.1% in FY26/FY30, after having risen to 49.3% in 9MFY24, driven by strong ARPU growth on account of tariff hikes, Bharti's premiumisation strategy and cost optimisation via its 'war on waste' initiative. We expect BHL's FY24-26/FY24-30 EBITDA CAGR to be higher at 17%/15% (vs. 15%/12% for Bharti's India wireless business) due to ~2% subs CAGR and ~10% ARPU CAGR potential as Rajasthan/NE circle has relatively lower teledensity and lower penetration of high ARPU post-paid & data subs.

We initiate coverage on BHL with a BUY rating and a TP of INR 790/share based on 10x FY26 EV/EBITDA (in line with implied valuation of Bharti's India wireless business at CMP), implying ~39% upside. Though higher multiple can be argued for BHL given 2-3% higher EBITDA growth potential, we have used 10x multiple factoring in potential concentration risk due to BHL's entire dependence on Rajasthan and NE circles and also on wireless business. The stock could potentially double in 3-4 years on the back of 15-17% EBITDA compounding story. We see BHL as a mid-cap 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). Key triggers: structural uptrend in ARPU via regular tariff hikes and upgrades/data monetisation.

ARPU on a structural uptrend as industry needs INR 275-300 ARPU to meet future capex needs: We continue to believe India wireless ARPU is on a structural uptrend given the consolidated industry structure and future investment needs. Our calculation suggests (**Exhibit 7**) that in the next 3-4 years the industry needs to reach an ARPU of ~INR 275 to cover the cost of capital (12%) and ~INR 300 for a pre-tax RoCE (of 15%) considering future investments including for 5G. Hence, we expect the wireless industry's revenue to grow at ~11% CAGR to +INR 3,200bn/ INR 4,600bn by FY26E/FY30E vs. INR 2,250bn in FY23 - **Exhibit 6**.

Structural 10% ARPU CAGR via: a) tariff hikes; and b) MBB upgrade, post-paid additions & data monetisation: Despite multiple tariff hikes since Dec'19, ARPU in India is still one of the lowest at ~USD 2.2/month vs. the global average of USD 8-10/month (USD 6.9/month in China); India's ARPU to GDP per capita is low at ~1.0% in FY23 vs. +1.5% before FY15 — **Exhibit 10-13**. We expect BHL's ARPU to grow at ~10% CAGR (to ~INR 285 in FY28 from INR 197 in 3QFY24) consisting of: **a)** 6-7% ARPU CAGR due to regular tariff hikes; and **b)** 3-4% ARPU CAGR due to Bharti's premiumisation strategy driving MBB upgrade (ARPU goes up by 55-80% due to this), post-paid additions (ARPU rises by 70% due to this), data monetisation and international roaming.

BHL's FY24-30 EBITDA CAGR could be higher at ~15% (vs. ~12% for Bharti's wireless business) due to presence in high growth potential markets as Rajasthan/NE circle has: **a)** relatively lower teledensity (~80% vs. 85% pan-India) due to more rural population; and **b)** relatively lower penetration of high ARPU post-paid subscribers (3-5% vs. ~8% pan-India) and data subscribers (71% vs. 73% for Bharti) – **Exhibit 24-30**.

Relatively lower capex - higher RoCE business vs. Bharti; likely to become net-cash by FY29: Though BHL's EBITDA margin is lower, its RoCE is higher at 10.5% in FY23 (vs. 8.6% for Bharti) due to its relatively lower capex as Bharti lays fibre assets in Rajasthan/NE circle and BHL pays for it on usage basis. Further, with peak capex behind it and structural ARPU growth story ahead, we expect BHL to turn net-cash by FY29 (vs. net debt of INR 76bn at end-3QFY24) – **Exhibit 32-34**.

Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	790
Upside/(Downside)	38.6%

Key Data

Current Market Price *	INR570
Market cap (bn) *	INR285/US\$3.4
Free Float	15%
Shares in issue (mn)	500.0
Diluted share (mn)	500.0
3-mon avg daily val (mn)	NA
52-week range	NA
Sensex/Nifty	74,743/22,666
INR/US\$	83.3

* Based on IPO price (upper price band)

Price Performance

%	1M	6M	12M
Absolute	NA	NA	NA
Relative*	NA	NA	NA

*To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Total Revenue	54,940	67,192	71,623	82,146	92,552
Revenue Growth (%)	16.8	22.3	6.6	14.7	12.7
EBITDA	19,028	29,259	34,475	40,640	47,051
EBITDA Margin (%)	35.2	44.5	48.8	50.1	51.4
Adjusted Net Profit	-788	5,492	8,153	11,944	16,545
Diluted EPS (INR)	-1.6	11.0	16.3	23.9	33.1
Diluted EPS Growth (%)	-90.9	-797.0	48.4	46.5	38.5
ROIC (%)	10.4	8.3	10.3	12.9	16.6
ROE (%)	-2.8	14.0	18.1	23.0	26.7
P/E (x)	17.0	51.9	35.0	23.9	17.2
P/B (x)	7.8	6.8	6.0	5.1	4.2
EV/EBITDA (x)	19.7	12.5	10.5	8.7	7.2
Dividend Yield (%)	0.0	0.5	0.9	1.3	1.7

Source: Company data, JM Financial. Note: Valuations as of 10/Apr/2024

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha
You can also access our portal: www.jmflresearch.com
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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Company Snapshot

Bharti Hexacom Ltd (BHL) was incorporated in 1995 as Hexacom India Ltd; 30% stake was owned by the Government of India (GoI)-owned TCIL (Telecommunications Consultants India Ltd) while the balance 70% stake was held by other investors. However, in 2004, Bharti Airtel bought this 70% stake and the company's name was changed to Bharti Hexacom Ltd (BHL). Hence, since 2004, Bharti Airtel holds 70% stake in BHL and is the promoter of the company, while TCIL owned the remaining 30% until the recent IPO. However, during the IPO, TCIL sold 15% stake and plans to divest the remaining 15% stake it holds at an opportune time (there is a 6-month lock-in for a further stake sale by TCIL, as per SEBI regulations). Hence, post the IPO, the shareholding structure will be Bharti Airtel 70%; TCIL 15%; and public investors 15%.

BHL shareholding post IPO:

- a) Bharti Airtel (promoter): 70%
- b) GoI-owned TCIL: 15%
- c) Public shareholders: 15%

BHL provides telecom services in Rajasthan and North East circles: BHL provides consumer wireless services, fixed-line telephone and broadband services in Rajasthan and North East circles (Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) under Bharti's brand "Airtel". The Rajasthan circle constitutes ~78% of its revenue and North East (NE) circle accounts for the rest. BHL is the market leader in the North East circle with a revenue market share (RMS) in 9MFY24 of 52.7% (recovering from 42% in FY21) while it is a close second in the Rajasthan circle with RMS of 40.4% (recovering from 32.7% in FY21).

Exhibit 1. BHL key operational metrics

	FY21	FY22	FY23	9MFY24
Wireless				
Revenue (INR mn)	45,300	52,976	64,247	50,696
Revenue Proportion (% of Total Revenue)	98%	98%	98%	97%
EoP Subscribers (mn)	25.0	24.8	25.8	26.8
Net subscriber addition (mn)	-1.6	-0.2	1.1	1.3
EoP Post-paid subscribers (mn)	0.7	0.7	0.7	0.8
Net post-paid subscriber addition (mn)		0.01	0.03	0.12
Postpaid subscribers as % of total subs	2.7%	2.7%	2.7%	3.1%
EoP 4G/5G subscribers (mn)	13.3	15.0	17.0	18.8
Net 4G/5G subscriber addition (mn)		1.7	2.0	1.8
4G/5G subs as % of total subs	53%	61%	66%	70%
EoP Total Data subscribers (mn)	13.9	15.4	17.3	19.1
Net Data subscriber addition (mn)		1.5	2.0	1.8
Data subs as % of total subs	56%	62%	67%	71%
AMDU (GB/month)	16.8	20.0	21.8	23.1
Average ARPU (INR/month)	135	145	170	191
ARPU growth (%)		7.4%	17.2%	0.0%
Total monthly subscriber churn (%)	1.8%	2.7%	2.7%	2.5%
Mobile service population coverage (%)	94%	95%	96%	96%
Home Broadband & Wireline				
Revenue (INR mn)	723	1,076	1,543	1,512
Revenue Proportion (% of Total Revenue)	1.6%	2.0%	2.3%	2.9%
Subscribers (mn)	0.07	0.13	0.22	0.29
Net subscriber addition (mn)	0.03	0.06	0.09	0.09
Average ARPU (INR/month)	774	683	598	544
ARPU growth (%)		-11.8%	-12.4%	-10.8%
Total monthly subscriber churn (%)	1.5%	1.3%	1.4%	1.6%
Cities covered	23	54	87	90
Revenue Split between circles (based on TRAI AGR data)				
Rajasthan (INR mn)	25,400	33,600	43,500	37,100
North East (INR mn)	6,900	10,100	13,200	10,400
Rajasthan (%)	78.6%	76.9%	76.7%	78.1%
North East (%)	21.4%	23.1%	23.3%	21.9%

Source: Company

Wireless business constituted 97-98% of BHL's revenue in the last 2-3 years while fixed-line telephone and broadband business accounted for the remaining 2-3%. Wireless business average ARPU has risen from ~INR 135 in FY21 to ~INR 170 in FY23 (and to INR 197 in 3QFY24) due to a series of tariff hikes in the last few years and Bharti Airtel's premiumisation strategy; the number of wireless subscribers has risen from 25.0mn in FY21 to 25.8mn in FY23 (and to 26.8mn in 9MFY24) as per the company. Hence, BHL's EBITDA margin has improved to 49.3% in 9MFY24 from 24.7% in FY21 aided by sharp improvement in ARPU and cost-optimisation via Bharti Airtel's 'war on waste' programme. However, ARPU for fixed-line telephone and broadband business has declined to INR 598 in FY23 and INR 544 in

9MFY24 (from INR 774 in FY21) as the company is trying to boost broadband penetration by making prices more affordable and has increased broadband services from 23 cities in Mar'21 to 90 cities in Dec'23 via tie-ups with LCOs; the number of subscribers in fixed-line telephone and broadband business has risen sharply from 0.07mn in FY21 to 0.22mn in FY23 (and to 0.29mn in 9MFY24) as per the company. BHL serves ~27mn wireless subscribers in these two circles (as of Dec'23).

BHL holds adequate 4G/5G spectrum with a diverse pool of mid-band spectrum; this has enabled the company to offer 5G services on non-standalone network architecture and at a low cost of ownership. Further, none of the existing spectrum expires before 2030 (validity ranging from 2030 to 2045); hence, no major spectrum purchase is likely in the near term except for small renewals.

Exhibit 2. BHL holds a diverse spectrum portfolio in both circles with validity ranging from 2030 to 2045

Spectrum	Quantum (in MHz)	Validity
North East Circle		
900 MHz (Paired)	14	8.8 MHz – December 11, 2035 1.2 MHz - April 15, 2041 4 MHz – August 16, 2042
1800 MHz (Paired)	10	7 MHz – September 7, 2034 1.6 MHz – December 11, 2035 1.4 MHz – November 9, 2036
2100 MHz (Paired)	10	5 MHz – August 31, 2030 5 MHz – April 15, 2041
2300 MHz (Unpaired)	40	20 MHz – September 28, 2030 10 MHz – November 9, 2036 10 MHz – April 15, 2041
3300 MHz (Unpaired)	100	100 MHz – August 16, 2042
26 GHz (Unpaired)	800	800 MHz – August 16, 2042
Rajasthan Circle		
900 MHz (Paired)	6	5 MHz – April 21, 2036 1 MHz – December 11, 2035
1800 MHz (Paired)	10	8.2 MHz - September 7, 2034 1.8 MHz – September 29, 2037
2100 MHz (Paired)	15	10 MHz – August 31, 2030 5 MHz – November 9, 2036
2300 MHz (Unpaired)	40	20 MHz – November 18, 2030 20 MHz – April 15, 2041
3500 MHz (Unpaired)	100	100 MHz – August 16, 2042
26 GHz (Unpaired)	800	800 MHz – August 16, 2042

Source: Company

Indian telecom industry: Porter analysis

Exhibit 3. Porter analysis of Indian telecom industry

<p>Bargaining Power of Suppliers <u>MEDIUM</u></p> <p>1) Telcos have decent bargaining power with the tower companies, equipment suppliers, etc., as there are only two strong telecom companies which are aggressively investing (Bharti Airtel and Jio) while capex of other two players (VIL, BSNL) is relatively low due to balance sheet constraints.</p> <p>2) However, equipment suppliers' industry is also reasonably concentrated giving them reasonable pricing power as well.</p>	<p>Bargaining Power of Buyers <u>MEDIUM</u></p> <p>1) Buyers have decent bargaining power as high competition amongst telcos for subs market share gains has led to lowest tariff globally despite tariff hikes seen in last 3-4 years; this is also visible in industry's high monthly subs churn of ~3%</p> <p>2) However, buyer's bargaining power should moderate in next 1-2 years as Jio reaches its desired ~500mn subscribers (vs. 471mn at end-3QFY24) and as India gradually transitions into a near-duopoly market with VIL's market share shrinking further.</p> <p>3) Buyer's bargaining power is also moderating as smartphone connectivity is increasingly becoming a necessity due to rising dependency on it for entertainment, payments, identity, social needs, etc.</p>
<p>Competitive Intensity <u>HIGH</u></p> <p>1) India's ARPU is lowest globally due to strong competition within the industry, led by Jio's aggressive pricing (Jio's tariff is 10-20% lower pricing vs. peers) given its continued subs acquisition strategy; and market share gain is the key source of subs growth with limited organic subs growth for the industry given it is largely saturated.</p> <p>2) Hence, Bharti and VIL have not been able to hike tariff, to prevent subs market share loss in case Jio doesn't hike tariff. Also, this has led to industry's high subs monthly churn of ~3% and jump in SG&A cost from telcos in their bid to protect subs loss.</p> <p>3) However, competitive intensity should moderate in next 1-2 years as Jio reaches its desired ~500mn subscribers (vs. 471mn at end 3QFY24) and as India gradually transitions into a near-duopoly market with VIL's market share shrinking further.</p> <p>4) Jio's potential IPO in near to medium term should also result in Jio being more open for tariff hikes so as to monetise huge 5G investments.</p>	
<p>Barriers to Entry <u>HIGH</u></p> <p>1) Strong entry barriers exist in form of high capex requirements, industry's subdued RoCE profile of 8-10% and presence of two strong incumbents in a consolidated market and with limited scope for organic subs growth.</p> <p>2) Operators need to acquire a spectrum portfolio and unified licence in each circle for providing services to customers. It would have to either wait for spectrum auction or acquire a telecom company with requisite spectrum portfolio, the cost for which is significantly high given the consolidated industry structure.</p> <p>3) Huge regulatory risk/uncertainty also acts as a strong entry barrier as telecom industry has historically been negatively impacted with huge adverse changes in regulations (like adverse AGR decision by SC).</p>	<p>Threat of Substitution <u>LOW</u></p> <p>1) Threat of substitution is low as smartphone connectivity is increasingly becoming a necessity due to rising dependency on it for entertainment, payments, identity, social needs, etc.</p> <p>2) However, there exists some risk of substitution from various OTT calling apps like Whatsapp, etc., for wireless business, while satellite communications will have minimal impact on broadband business given both businesses are targeting different customer segments.</p>

Improving	Unchanged	Deteriorating
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Source: Company, JM Financial.

ARPU on a structural uptrend; industry needs ARPU to rise to INR 275-300 in 3-4 years to meet future capex needs

With the consolidation of India's telecom industry largely complete, we expect the wireless industry's revenue to grow further, at ~11% CAGR, to +INR 3,200bn by FY26E and +INR 4,600bn by FY30E vs. ~INR 2,250bn in FY23, having recovered from a low of ~INR 1,200bn in FY19 (**Exhibit 6**) due to continued structural uptrend in industry ARPU driven by the industry's future investment needs.

Exhibit 4. Revenue market share (on AGR) for the telecom industry was fragmented in FY12

■ Bharti Airtel ■ Vodafone ■ Idea ■ BSNL ■ RCOM ■ Others

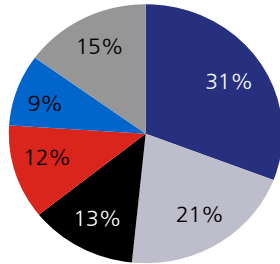
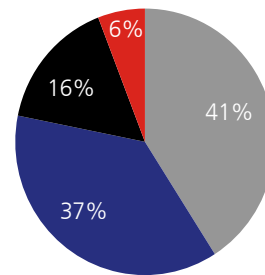


Exhibit 5. Revenue market share (on AGR) for the telecom industry has largely consolidated in 3QFY24

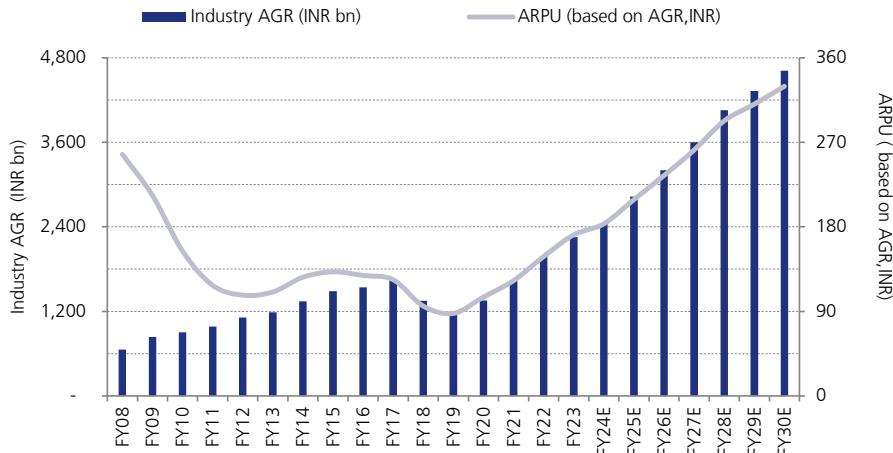
■ Jio ■ Bharti Airtel ■ VIL ■ BSNL/MTNL and Others



Source: TRAI, JM Financial. *Others include Airtel, TTSL, Telenor, MTS and MTNL.

Source: TRAI, JM Financial.

Exhibit 6. Telecom industry revenue to grow at ~11% CAGR to +INR 4,600bn by FY30E, having recovered to INR 2,250bn in FY23 (from a low of INR 1,200bn in FY19)



Source: TRAI, JM Financial.

Our calculation suggests (**Exhibit 7**) that the industry needs to achieve an **ARPU of INR 275-300 in the next 3-4 years for a pre-tax RoCE of 12-15%** considering the significant capex being incurred on 5G rollout (taking the total investments to ~INR 10,450bn cumulative till end-FY27E).

Exhibit 7. Estimated ARPU of INR 275-300 for a pre-tax RoCE of 12% and 15% based on future investment needs of private telcos

	For 12% ROCE	For 15% ROCE	Comments
Required return	12%	15%	
Total invested capital (INR bn)	10,478	10,478	Book value of net invested capital at the end of FY23 + estimated capex over FY24-27E
Required EBIT (INR bn)	1,257	1,572	
Actual non-statutory opex (INR bn)*	1,723	1,723	3QFY24 annualized opex ex-License Fees and Spectrum Usage Charges [SUC]
License Fee + SUC (%)	10%	10%	License Fee taken at 8% and SUC at ~2%
Required revenue (INR bn)	3,312	3,661	
Number of subscribers (mn)	1,001	1,001	
ARPU (INR)	276	306	

Source: Company, JM Financial. * Pre-IND AS numbers used

Further, the VIL management had said that in-lieu of the government dues of INR 2,073bn at end-3QFY24 (comprising deferred spectrum payment obligations of INR 1,382bn and AGR liability of INR 690bn), it has to make an **annual payment of INR 413bn** consisting of: **a)** spectrum dues from Oct'25 of INR 247bn p.a., and **b)** AGR dues from Mar'26 of INR 165bn p.a. Our calculation suggests **VIL needs ARPU to jump sharply to ~INR 387 in FY27 (vs. ARPU of INR 145 in 3QFY24)** to meet this annual payment obligation of INR 413bn – this is assuming no AGR (adjusted gross revenue) relief from the Supreme Court (SC) against telcos' curative review petition.

Exhibit 8. VIL needs an ARPU of ~INR 387 in FY27 to meet payment obligations (vs. ARPU of INR 145 in 3QFY24) assuming no AGR relief from the SC

INR bn, unless specified	FY27
Repayment to govt from FY27 onw ards	413
Capex	48
Total Cash Outflow	461
3QFY24 annualised pre-Ind AS EBITDA	86
Shortfall in cash to be bridged via higher ARPU	375
Incremental EBITDA margin (assumed)	60%
Required revenues	625
Subscriber base at end 3QFY24 (mn)	215
3QFY24 ARPU (INR)	145
Hike in ARPU required (INR)	242
Hike in ARPU required (%)	167%
Required ARPU (INR)	387

Source: Company, JM Financial.

However, assuming AGR relief from the SC of ~INR 350bn, annual payment to the government could reduce by ~INR 80bn to ~ INR 330bn. Our calculation suggests that in this case **VIL still needs ARPU to jump sharply to ~INR 334 in FY27** (vs. ARPU of INR 145 in 3QFY24) to meet this annual payment obligation.

Exhibit 9. VIL still needs an ARPU of ~INR 334 in FY27 to meet payment obligations (vs. ARPU of INR 145 in 3QFY24) despite assuming ~INR 350bn AGR relief from the SC

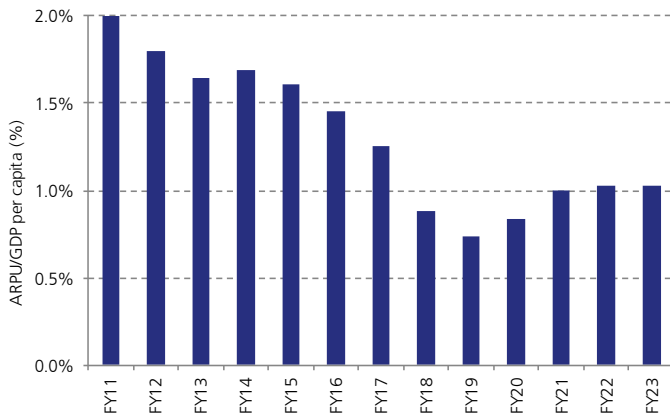
INR bn, unless specified	FY27
Repayment to govt from FY27 onw ards	330
Capex	48
Total Cash Outflow	378
3QFY24 annualised pre-Ind AS EBITDA	86
Shortfall in cash to be bridged via higher ARPU	292
Incremental EBITDA margin (assumed)	60%
Required revenues	487
Subscriber base at end 3QFY24 (mn)	215
3QFY24 ARPU (INR)	145
Hike in ARPU required (INR)	189
Hike in ARPU required (%)	130%
Required ARPU (INR)	334

Source: Company, JM Financial.

Structural 10% ARPU CAGR via: a) tariff hikes; and b) MBB upgrade, post-paid additions & data monetisation

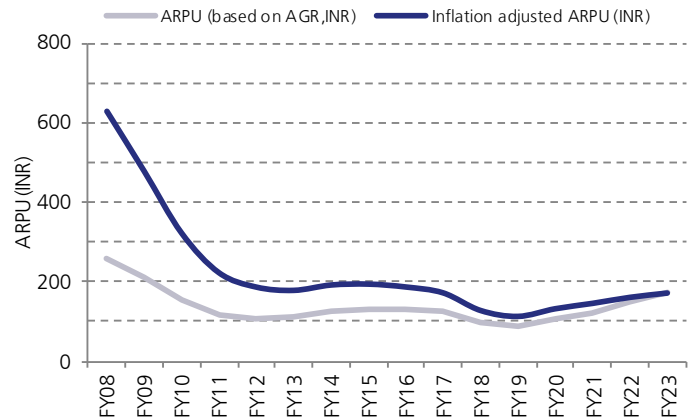
We have witnessed multiple tariff hikes since Dec'2019: **i)** 30-40% hike in Dec'19 by all telcos across plans and introduction of minimum recharge plans; **ii)** hike in entry level prepaid plan from INR 49 to INR 79 in Jul'21; **iii)** ~20% hike in Nov-Dec'21 by all telcos across plans; and **iv)** recent sharp hike in entry level pre-paid tariff (from INR 99 to ~INR 155) by Bharti across India and followed by VIL in most of the circles. Despite these hikes and highest data usage, **ARPU in India is one of the world's lowest at USD 2.2/month vs. the global average of USD 8-10/month** (and USD 6.9/month in China and +USD 20/month in developed countries). **India's ARPU to GDP per capita is still low at ~1.0% in FY23 vs. +1.5% before FY15 (i.e., before Jio's entry),** though it has recovered from a low of ~0.7% in FY19. This is because both nominal- and inflation-adjusted ARPUs are still lower than historical ARPUs despite the recent increase (**Exhibit 10-13**).

Exhibit 10. India's ARPU to GDP per capita is still low at ~1% vs. +1.5% before Jio's entry despite the recent increase



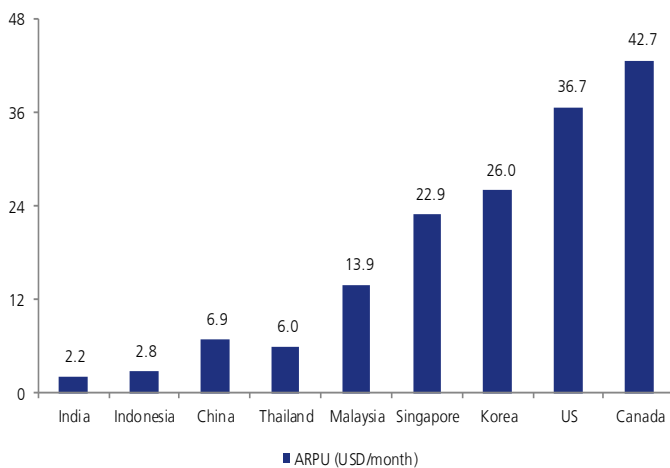
Source: TRAI, JM Financial.

Exhibit 11. Both nominal- and inflation-adjusted ARPUs still lower than historical ARPUs despite the recent increase



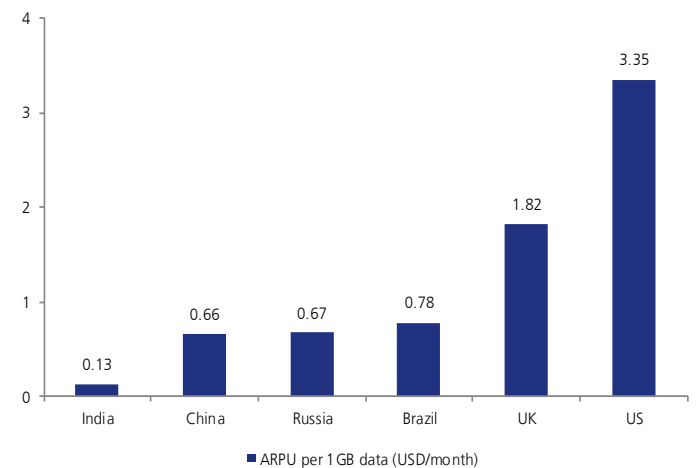
Source: TRAI, JM Financial.

Exhibit 12. At USD 2.2/month, India's ARPU one of the lowest in the world



Source: Company, Bloomberg, JM Financial.

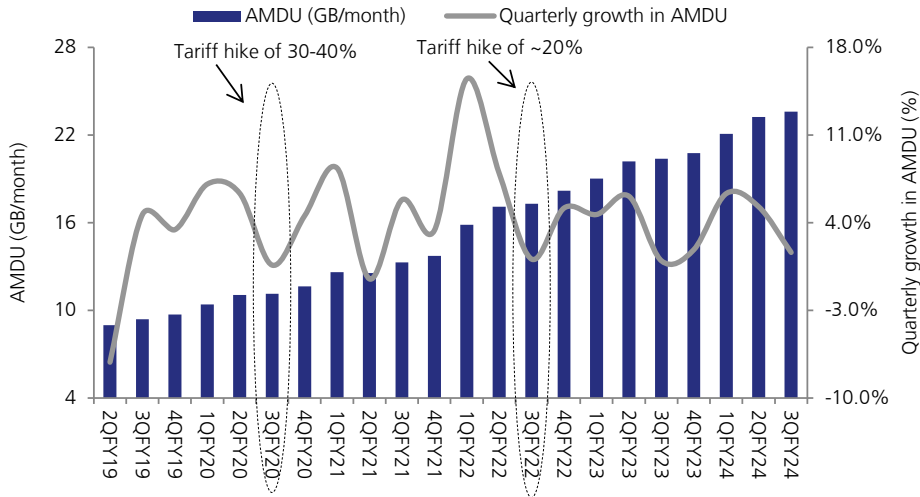
Exhibit 13. Data rates in India one of the lowest in the world at USD 0.13/GB



Source: Company, JM Financial.

However, despite the lowest ARPU, India’s AMDU (average monthly data usage per data subs) is the highest globally, and continues to rise despite tariff hikes — it has risen from 11GB/month in 2QFY20 (before the start of tariff hikes) to ~23.6GB/month in 3QFY24 (Exhibit 14). AMDU growth trajectory is likely to continue over the next 3-5 years with gradual pick-up in 5G penetration as new use cases are developed and 5G smartphones become more affordable.

Exhibit 14. Despite tariff hikes, India’s telecom industry AMDU has gone up from ~11GB/month in 2QFY20 (before start of tariff hikes) to ~23.6GB/month in 3QFY24



Source: Company, JM Financial.

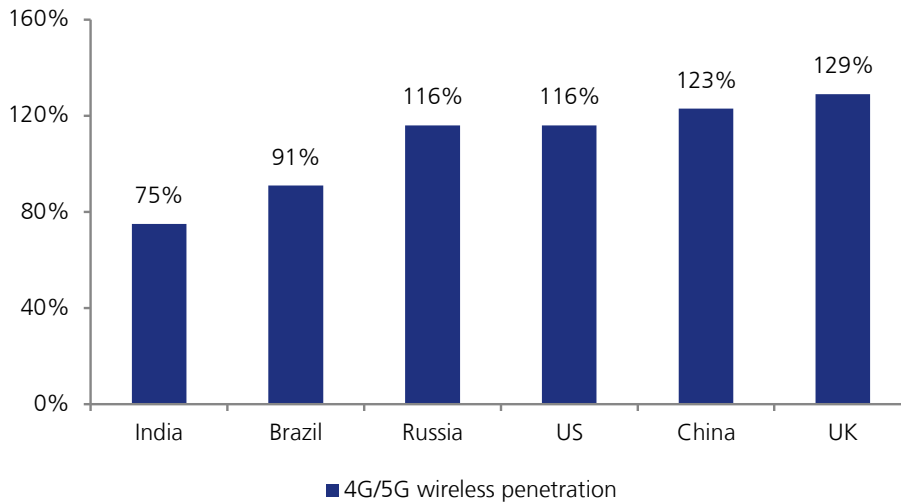
Also, there is significant scope for industry’s MBB penetration to further rise to 85-90% in the next 3-5 years, after having risen to ~75% in Jan’24 vs. ~47% in Mar’19 (before the start of tariff hikes) and vs. 22% in Mar’17; MBB penetration is ~85-100% in China, Brazil and in developed countries. Jio aims to upgrade the entire existing ~250mn feature phone users, while Bharti expects the industry trend of upgrade of ~40mn feature phones to smartphones annually to continue for another 3-4 years.

Exhibit 15. Telcos’ MBB penetration has risen sharply despite tariff hikes

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Jan-24
Total EoP Subscriber base (mn)								
Bharti	274	304	325	328	352	360	371	382
VIL	209	223	395	319	284	261	237	222
Jio	109	187	307	388	423	404	430	464
Others	579	470	135	123	122	117	106	93
Total	1,170	1,183	1,162	1,158	1,181	1,142	1,144	1,161
Total EoP MBB Subscriber base (mn)								
Bharti	47	83	112	146	189	211	236	260
VIL	62	100	110	117	124	122	125	127
Jio	109	187	307	388	423	404	430	464
Others	40	25	16	17	20	24	22	22
Total	258	395	545	668	755	761	813	872
MBB subs as % of Total subs								
Bharti	17%	27%	35%	45%	54%	58%	64%	68%
VIL	30%	45%	28%	37%	44%	47%	53%	57%
Jio	100%	100%	100%	100%	100%	100%	100%	100%
Others	7%	5%	12%	14%	16%	20%	21%	23%
Total	22%	33%	47%	58%	64%	67%	71%	75%

Source: TRAI, JM Financial

Exhibit 16. 4G/5G penetration in India is still below global peers

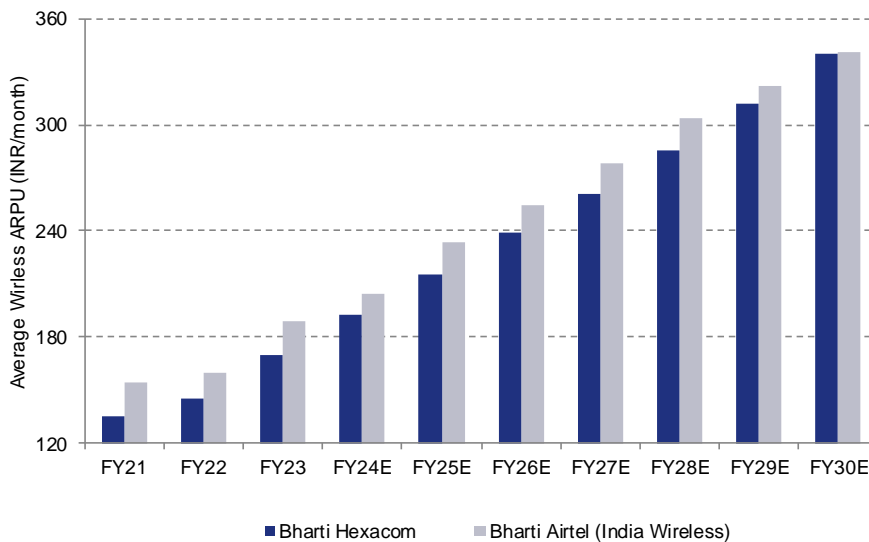


Source: GSMA, JM Financial

We believe continued rise in data usage, MBB upgrades and post-paid additions, despite strong tariff hikes, indicate the consumer’s ability and willingness to pay for higher tariffs as smartphone connectivity is becoming a necessity service. Hence, we believe future tariff hikes are also unlikely to be detrimental to MBB upgrades, post-paid additions and data usage.

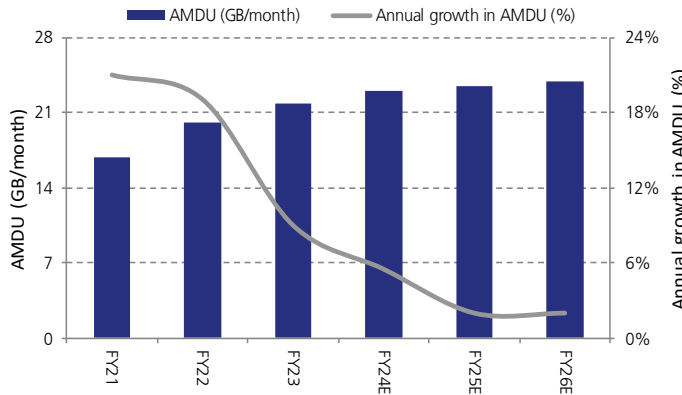
Bharti Airtel’s industry leading India wireless ARPU (INR 208 for Bharti, vs. ~INR 172 for Jio ex-FTTH and INR 145 for VIL in 3QFY24) and relatively stronger ARPU growth, as seen in the last many quarters, is driven by the management’s focus on quality customers and pushing premiumisation via: **a)** feature phone to smartphone upgrades (ARPU goes up by 55-80% due to this); **b)** pre-paid to post-paid upgrade via family post-paid plans and aggressive 5G rollout (ARPU rises by 70% due to this); **c)** data monetisation as customers opt for extra data or upgrade to higher data limit plans as they hit their daily data limits; **d)** international roaming by simplifying plans. Hence, we expect BHL’s ARPU to grow at ~10% CAGR (to ~INR 285 in FY28 from INR 197 in 3QFY24) consisting of: **a)** 6-7% ARPU CAGR due to regular tariff hikes; and **b)** 3-4% ARPU CAGR due to Bharti Airtel’s premiumisation strategy driving MBB upgrade (ARPU goes up by 55-80% due to this), post-paid additions (ARPU rises by 70% due to this), data monetisation & international roaming.

Exhibit 17. BHL’s average wireless ARPU continues to track Bharti Airtel’s India wireless ARPU and improve on back of Bharti’s premiumisation strategy



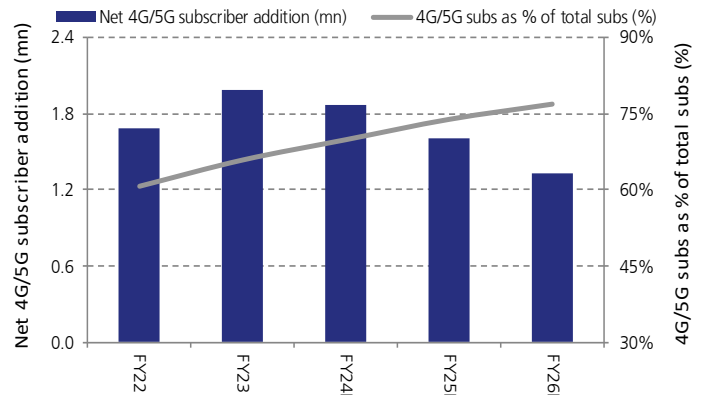
Source: Company, JM Financial

Exhibit 18.BHL's AMDU has improved from ~16.8GB/month in FY21 to ~21.8GB/month in FY23 despite tariff hikes



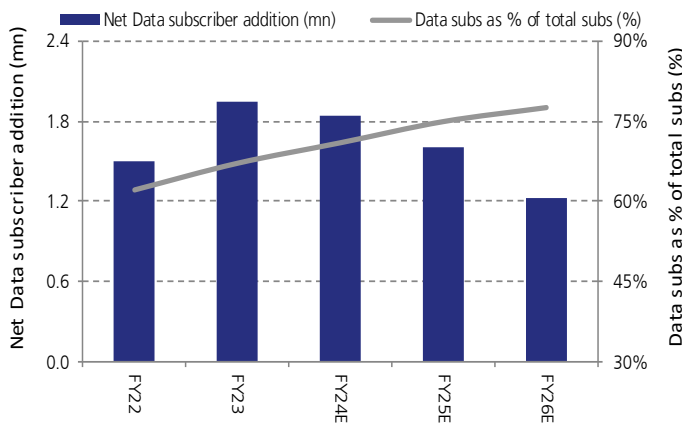
Source: Company, JM Financial

Exhibit 19.BHL continues to record strong 4G/5G net subs additions, leading to its 4G/5G penetration rising to ~70%



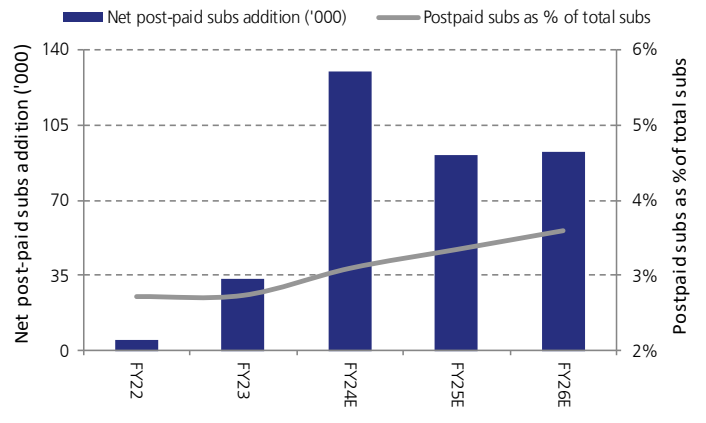
Source: Company, JM Financial

Exhibit 20.BHL's overall data subs additions also robust, leading to its data penetration also improving to ~70%



Source: Company, JM Financial

Exhibit 21.BHL post-paid subs still account for only 3.1% of its subs mix



Source: Company, JM Financial

Exhibit 22.Comparison of telcos' tariff plans — Bharti Airtel maintains its tariff premium of 10-20% vs. Jio

Tariffed Voice Plans	Validity	Bharti tariff	VIL tariff	Jio tariff
Tariffed Voice Plans/ Jio-phone plans				
200MB data + 1p/sec voice tariff	28 days	155 (unlimited voice, 1GBdata, 24 days)	155 (unlimited voice, 1GBdata, 24 days)	91*
Unlimited Voice Bundles				
Daily data plans				
1 GB/day data	28 days	265	269	209
1.5 GB/day data	28 days	299	299	239
2 GB/day data	28 days/1 Month	319 (1 Month)	319 (1 Month)	299 (28 Days)
3 Gb/day data	28 days	399	359	399 (6GB extra)
25 GB data	30 days	296	296	296
1.5 GB/day data	56 days	479	479	479
2 GB/day data	56 days	549	539	533
1.5 GB/day data	84 days	719	719	666
2 GB/day data	84 days	839	839	719
2 GB/day data	365 days	2999	3099	2879
Data Top-ups				
12 GB data	Unlimited/28 days	118	118	121
50 GB data	Unlimited/28 days	301	298	222
100 GB data	56 days		418	
Post-paid plans				
40GB/month + Data roll over		399	401 (50GB)	299 (30GB -Regular plan)
75GB/month + Data roll over		499	501 (90GB)	399 (75GB -Postpaid plus)
75GB/month - Postpaid Family Plan excluding OTT apps				399 (Extra 99/add-on, 3 add-ons allow ed)
100GB/month - Postpaid Family Plan including OTT apps		599 (including 1 add-on, 105GB)	601 (including 1 add-on, 110GB)	798 (699+99 for 1 add on)

Source: TRAI, JM Financial. * Refers to Jiophone plans (3GB/month, unlimited voice, 50 sms)

Exhibit 23.BHL's ARPU, AMDU and subscribers comparison with other major telecom companies

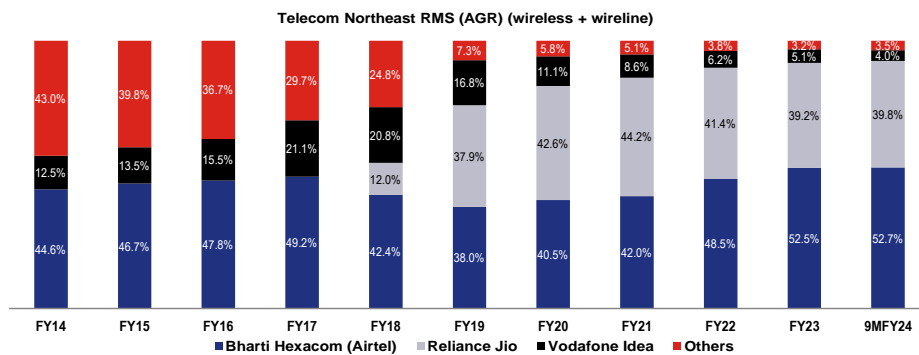
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue (INR Bn)										
BHL	46	54	66	71	81	92	102	112	124	137
Bharti (India business)	737	821	979	1,094	1,284	1,448	1,622	1,814	1,955	2,110
Jio (standalone)	704	772	911	1,007	1,187	1,557	1,835	2,159	2,361	2,584
VIL	420	385	422	430	464	524	597	685	705	719
EBITDA (INR Bn)										
BHL	11	19	29	34	41	47	54	61	69	78
Bharti reported EBITDA (India business)	339	409	511	589	694	786	886	997	1,085	1,183
Jio (standalone)	315	379	470	528	630	838	997	1,180	1,297	1,425
VIL reported EBITDA	169	160	168	172	199	236	274	325	353	379
EBITDA margin (%)										
BHL	24.7%	35.1%	43.9%	48.8%	50.1%	51.4%	52.8%	54.2%	55.7%	57.1%
Bharti reported EBITDA margin (India business)	46.1%	49.8%	52.2%	53.8%	54.1%	54.3%	54.6%	55.0%	55.5%	56.1%
Jio (standalone)	44.7%	49.0%	51.6%	52.5%	53.1%	53.8%	54.3%	54.7%	54.9%	55.1%
VIL reported EBITDA margin	40.4%	41.6%	39.9%	40.0%	43.0%	45.0%	45.9%	47.5%	50.0%	52.6%
Network Costs (INR Bn)										
BHL	14	15	16	17	19	20	22	24	25	27
Bharti (India business)	169	189	203	221	270	318	357	395	426	460
Jio	221	250	285	307	356	421	492	574	621	672
VIL	96	98	101	100	102	118	131	145	135	121
SG&A Costs (INR Bn)										
BHL	1.4	2.0	3.1	3.8	4.1	4.4	4.4	4.3	4.1	3.8
Bharti (India business)	50	60	83	92	107	119	132	146	156	167
Jio	12	11	18	25	30	33	34	38	39	40
VIL	26	30	46	49	46	39	45	48	49	50
Overall subscribers at EoP (mn)										
BHL	25.0	24.8	25.8	27.0	27.7	28.4	29.0	29.5	30.0	30.5
Bharti (India business)	321	326	335	348	357	363	367	372	377	383
Jio	426	410	439	480	499	510	518	526	537	546
VIL	268	244	226	211	203	200	197	197	193	189
Net overall subscriber addition (mn)										
BHL	-1.6	-0.2	1.1	1.2	0.7	0.6	0.6	0.5	0.5	0.5
Bharti (India business)	37.7	4.7	9.4	13.1	8.4	5.7	4.7	4.4	5.6	5.7
Jio	38.7	-16.0	29.1	40.6	19.2	10.5	8.9	7.8	10.5	9.1
VIL	-23.3	-24.0	-17.9	-14.9	-8.0	-3.0	-2.8	0.0	-3.9	-3.9
Postpaid subscribers at EoP (mn)										
BHL - excluding IoT	0.67	0.67	0.71	0.84	0.93	1.02	1.12	1.21	1.31	1.40
Bharti (India business) - excluding IoT	16.6	17.8	19.7	22.8	25.3	26.1	26.8	27.5	28.3	29.1
Postpaid subs (as % of overall subs)										
BHL - excluding IoT	2.7%	2.7%	2.7%	3.1%	3.4%	3.6%	3.9%	4.1%	4.4%	4.6%
Bharti (India business) - excluding IoT	5.2%	5.5%	5.9%	6.6%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%
Total subscriber churn										
BHL	1.8%	2.7%	2.7%							
Bharti (India business)	2.1%	2.9%	3.0%							
VIL	3.0%	3.4%	3.8%							
4G/5G subscribers at EoP (mn)										
BHL	13.3	15.0	17.0	18.9	20.5	21.8	22.8	23.9	24.9	25.5
Bharti (India business)	179	201	224	236	246	256	266	276	286	296
Jio	426	410	439	480	499	510	518	526	537	546
VIL	114	118	123	127	132	137	142	147	152	157
Net 4G/5G subscriber addition (mn)										
BHL		1.7	2.0	1.9	1.6	1.3	1.0	1.0	1.0	0.7
Bharti (India business)	43.0	21.5	23.3	12.0	10.0	10.0	10.0	10.0	10.0	10.0
Jio	38.7	-16.0	29.1	40.6	19.2	10.5	8.9	7.8	10.5	9.1
VIL	8.3	4.2	4.5	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Average ARPU (INR)										
BHL	135	145	170	193	216	239	261	285	312	340
Bharti (India business)	154	160	189	205	234	255	278	304	322	341
Jio (including INR 10 from FTTH)	143	153	178	182	201	226	253	284	301	319
VIL	112	112	134	144	169	199	232	271	282	294
AMDU (GB/month)										
BHL	16.8	20.0	21.8	23.0	23.5	23.9	24.4	24.9	25.4	25.9
Bharti (India business)	15.7	18.5	20.0	21.2	21.6	22.0	22.5	22.9	23.4	23.9
Jio	12.5	18.2	22.2	26.7	27.7	28.8	30.0	31.2	31.8	32.5
VIL	11.2	12.7	13.6	15.5	16.4	17.7	19.0	20.3	20.8	21.2

Source: Company, JM Financial.

BHL's FY24-30 EBITDA CAGR could be higher at ~15% vs. Bharti's EBITDA CAGR of ~12%

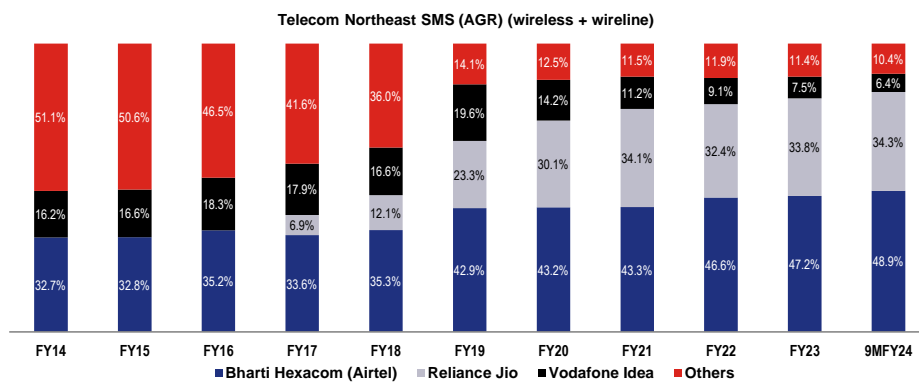
BHL is No. 1 in NE (RMS: 52.7% and SMS: 48.9%) and No. 2 in Rajasthan (RMS: 40.4% and SMS: 34.8%) circle: Rajasthan and North East circles' industry revenue was INR 135bn in FY23 (INR 110bn for Rajasthan and INR 25bn for North East) and it is expected to grow at 10-12% CAGR primarily aided by ~10% CAGR in ARPU and ~2% CAGR in subscriber base. BHL is the market leader in the NE circle with RMS of 52.7% and subscriber market share (SMS) of 48.9% in 9MFY24. In the Rajasthan circle, BHL is No. 2 with RMS of 40.4% and SMS of 34.8% in 9MFY24 – Exhibits 24-27. BHL has seen sharp improvement in its revenue and subscriber market share, benefiting from Bharti Airtel management's focus on quality customers and pushing premiumisation via: **a)** feature phone to smartphone upgrades (ARPU goes up by 55-80% due to this); **b)** pre-paid to post-paid upgrade via family post-paid plan, Airtel black convergence plan and aggressive 5G rollout (ARPU rises by 70% due to this); **c)** data monetisation as customers opt for extra data or higher data limit plans; and **d)** international roaming by simplifying plans.

Exhibit 24. BHL continues to cement its leadership position in North East



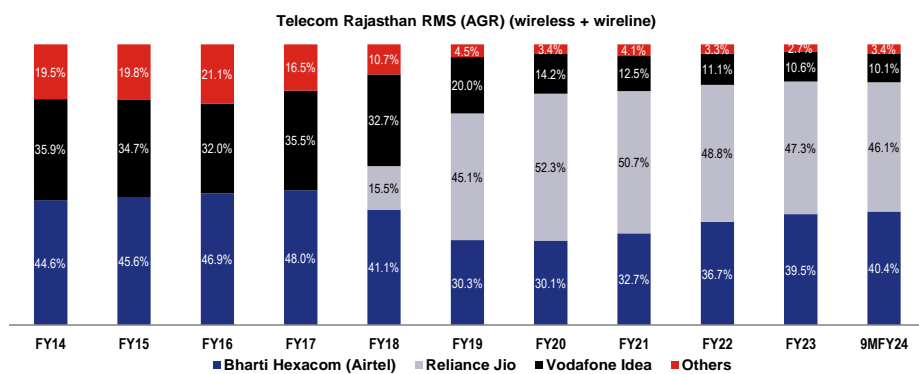
Source: Company, DoT, TRAI.

Exhibit 25. BHL continues to improve its robust subscriber market share in North East



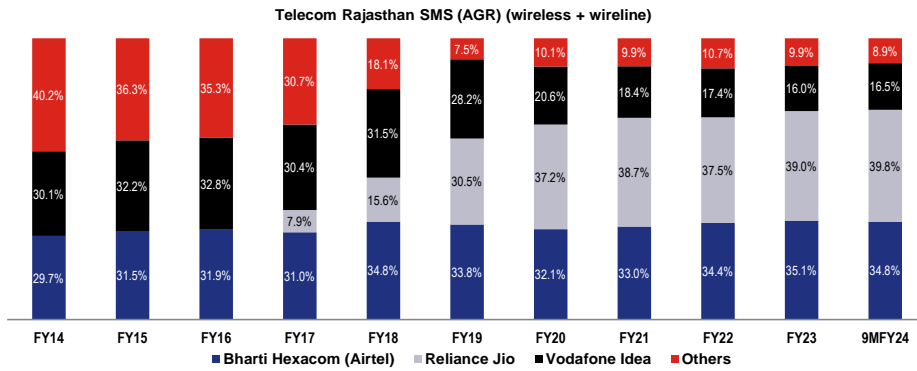
Source: Company, DoT, TRAI.

Exhibit 26. BHL narrows its revenue market share gap with Jio in Rajasthan



Source: Company, DoT, TRAI.

Exhibit 27. BHL's subscriber market share has gradually risen to ~35% in Rajasthan

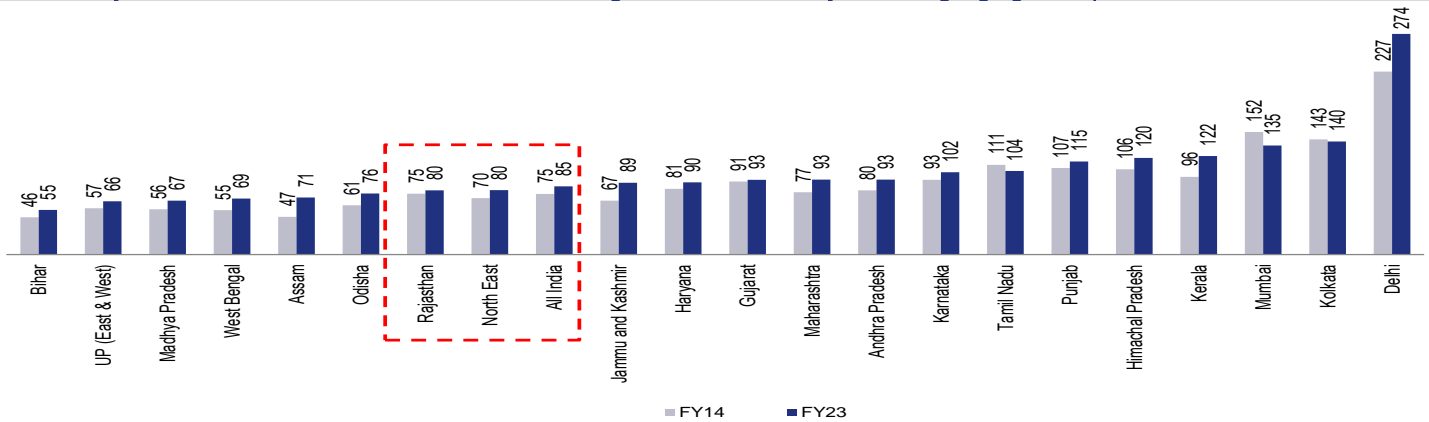


Source: Company, DoT, TRAI.

BHL's FY24-26/ FY24-30 EBITDA CAGR could be higher at ~17%/15% respectively (vs. ~15%/12% for Bharti Airtel's India wireless business) due to ~2% subs CAGR and ~10% ARPU CAGR potential as Rajasthan/NE circle has: **a)** relatively lower teledensity (~80% vs. 85% pan-India) due to more rural population; and **b)** relatively lower penetration of high ARPU post-paid subscriber (3-5% vs. ~8% pan-India) and data subscribers (71% vs. 73% for Bharti Airtel). Hence, we expect BHL's EBITDA margin to further improve to 51.4%/57.1% in FY26/FY30, after having risen to 49.3% in 9MFY24 (vs. 24.7% in FY21), driven by strong ARPU growth on account of tariff hikes, Bharti Airtel's premiumisation strategy and cost optimisation via its 'war on waste' programme.

a) High growth potential market due to relatively lower teledensity: Teledensity in Rajasthan at 79.5% and in NE circle at 79.7% is lower vs. pan-India teledensity of 84.5% in FY23 as Rajasthan/NE circle has more rural population, which has lower teledensity.

Exhibit 28. Rajasthan and North East circles trail all-India average wireless teledensity, indicating high growth potential



Source: Company, DoT, TRAI Note: Wireless Teledensity means % of population in a circle who has a wireless connection

b) High growth potential market due to relatively lower penetration of post-paid and data subscriber: Pre-paid subscriber penetration is higher at 95.1% in Rajasthan and at 97.1% in North East circle vs. 91.9% in pan-India in FY23.

Exhibit 29. Rajasthan and NE circles have higher prepaid penetration; ARPU growth potential lies in improving postpaid penetration

Prepaid Penetration (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Rajasthan	98.0%	97.5%	97.0%	97.2%	97.3%	97.8%	97.9%	97.7%	95.8%	95.1%
Northeast	97.0%	97.6%	98.0%	98.0%	98.0%	98.4%	98.6%	98.6%	97.7%	97.1%
India	95.9%	95.6%	95.4%	95.4%	95.5%	94.4%	95.4%	95.0%	93.1%	91.9%

Source: Company, DoT, TRAI

Further, BHL's data subs penetration at ~71% is below ~73% for Bharti Airtel. This suggests higher potential for growth in high-ARPU post-paid and data subs base.

Exhibit 30. BHL' Data and 4G/5G subscribers penetration still lags Bharti Airtel

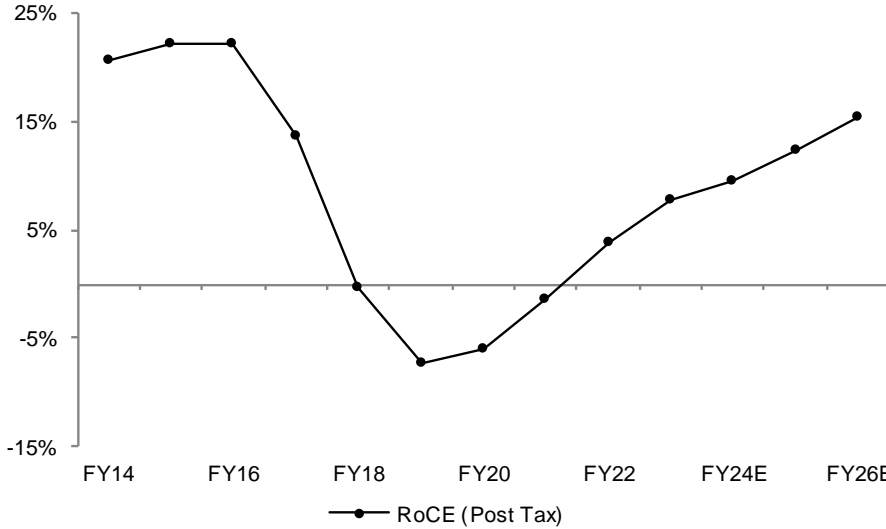
	FY21	FY22	FY23	9MFY24
4G/5G subscriber penetration (%)				
BHL	53.4%	60.7%	65.8%	70.3%
Bharti	55.8%	61.6%	66.8%	70.9%
Jio	100%	100%	100%	100%
VIL	42.5%	48.4%	54.3%	58.4%
Data subscriber penetration (%)				
BHL	55.6%	62.1%	67.1%	71.5%
Bharti	58.7%	63.9%	69.4%	73.3%
Jio	100%	100%	100%	100%
VIL	52.2%	55.7%	60.3%	63.8%

Source: Company

Relatively lower capex - higher RoCE business vs. Bharti Airtel; likely to turn net-cash by FY29

Though BHL's EBITDA margin is 400-500bps lower than Bharti Airtel's India wireless business, BHL's RoCE is higher at 10.5% in FY23 (vs. 8.6% for Bharti Airtel) due to its relatively lower capex as Bharti Airtel lays fibre assets in Rajasthan/NE circle and BHL uses the same and pays for it on usage basis.

Exhibit 31. BHL RoCE (post-tax) profile is likely to gradually recover to ~15% by FY26



Source: Company, JM Financial

Exhibit 32. BHL's relatively lower capex business model enables higher RoCE and RoE than other telcos

	RoCE (%)			RoE (%)		
	FY21	FY22	FY23	FY21	FY22	FY23
BHL	(1.4)	4.1	10.5	(52.1)	45.7	13.0
Bharti Airtel	3.9	5.3	8.6	(32.6)	(5.2)	(0.1)
Jio	9.1	9.6	8.6	6.6	7.5	8.4
Vodafone Idea	(4.7)	-4.6	-3.6	NM	NM	NM
BSNL	(6.2)	(6.8)	(4.5)	-14.4	-15.6	-13

Source: Company Note: Above ratios are calculated using standalone financials

BHL has incurred total capex of INR 206bn so far till end-Dec'23 to build its future ready digital infrastructure. We expect capex run-rate to moderate gradually to INR 18bn-20bn p.a. or ~22% of revenue in FY25 and to ~20% of revenue from FY26 onwards (vs. +30% during FY21-FY24) as peak capex is likely behind the company given pan-India 5G rollout and rural expansion is likely to have been achieved by end-Mar'24.

Exhibit 33. Capex breakdown for BHL

Particulars	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Capex (INR mn)										
Wireless	15,471	8,320	29,919	19,965	17,343	17,748	19,455	21,295	23,277	25,415
Home Broadband & Wireline	296	425	599	1,066	810	844	980	1,111	1,236	1,356
Total	15,767	8,745	30,518	21,031	18,153	18,592	20,436	22,405	24,513	26,771
Capex intensity (Capex/Revenue)										
Wireless	34.2%	15.7%	46.6%	29.0%	22.0%	20.0%	19.8%	19.6%	19.4%	19.2%
Home Broadband & Wireline	40.9%	39.5%	38.8%	60.0%	35.0%	30.0%	29.4%	28.8%	28.2%	27.7%
Overall	34.3%	16.2%	46.4%	29.8%	22.4%	20.3%	20.1%	19.9%	19.7%	19.5%
Capex proportion (%)										
Wireless	98.1%	95.1%	98.0%	94.9%	95.5%	95.5%	95.2%	95.0%	95.0%	94.9%
Home Broadband & Wireline	1.9%	4.9%	2.0%	5.1%	4.5%	4.5%	4.8%	5.0%	5.0%	5.1%

Source: Company, JM Financial.

BHL's net debt is comfortable at INR 76bn at end-Dec'2023 (including lease liability of INR 31.8bn and spectrum liability of INR 14.2bn) or 2.3x net debt/FY24 EBITDA. Hence, with structural ARPU growth story ahead (as discussed above), we expect BHL to turn net-cash by FY29 (vs. net debt of INR 76bn at end-3QFY24).

Exhibit 34. BHL debt details

Particulars (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Net Debt details										
Long term debt, net of current portion	36,926	48,078	47,299	43,042	34,434	27,547	22,038	17,630	14,104	11,283
Short-term borrowings and current portion of long-term debt	22,826	23,905	15,394	12,290	9,832	7,866	6,293	5,034	4,027	3,222
Gross debt excluding Lease Obligations	59,752	71,983	62,693	55,332	44,266	35,413	28,330	22,664	18,131	14,505
Less: Cash and Cash Equivalents	277	885	555	3,566	4,584	5,535	10,578	19,801	33,217	50,946
Less: Short Term Investments	315	814	10,792	3,292	2,292	7,292	12,292	17,292	22,292	27,292
Net Debt excluding Lease Obligations	59,160	70,284	51,346	48,474	37,390	22,586	5,460	-14,429	-37,378	-63,733
Lease Obligation	17,983	18,701	29,343	29,343	29,343	29,343	29,343	29,343	29,343	29,343
Net Debt including Lease Obligations	77,143	88,985	80,689	77,817	66,733	51,929	34,803	14,914	-8,035	-34,390
Net Debt (incl Lease liability) to EBITDA (x)	6.8	4.7	2.8	2.3	1.6	1.1	0.6	0.2	-0.1	-0.4

Source: Company, JM Financial.

Assumption and estimates

Exhibit 35. BHL – key operational assumptions

Particulars	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY24-26	FY24-30
											CAGR (%)	CAGR (%)
Wireless												
Average ARPU (INR)	135	145	170	193	216	239	261	285	312	340	11.5%	10.0%
YoY Growth (%)	13.4%	7.4%	17.2%	7.0%	12.0%	11.0%	9.2%	9.2%	9.2%	9.2%		
EoP subscribers (mn)	25	25	26	27	28	28	29	30	30	30	2.5%	2.0%
YoY Growth (%)	-5.8%	-0.8%	4.3%	4.6%	2.6%	2.3%	2.1%	1.9%	1.7%	1.5%		
EoP 4G/5G subscribers (mn)	13	15	17	19	20	22	23	24	25	26	7.5%	5.2%
4G/5G subs as % of total subs	53%	61%	66%	70%	74%	77%	79%	81%	83%	84%		
Data usage per sub (GB)	16.8	20.0	21.8	23.0	23.5	23.9	24.4	24.9	25.4	25.9	2.0%	2.0%
Home Broadband & Wireline												
EoP subscribers (mn)	0.07	0.13	0.22	0.32	0.39	0.46	0.53	0.59	0.65	0.71	20.0%	14.3%
YoY Growth (%)	84.2%	87.1%	67.2%	45.7%	21.9%	18.0%	14.6%	12.3%	10.5%	9.1%		
Average ARPU (INR)	774	683	598	550	545	553	564	575	587	598	0.2%	1.4%
YoY Growth (%)		-11.8%	-12.4%	-8.0%	-1.0%	1.5%	2.0%	2.0%	2.0%	2.0%		
Revenues (INR mn)												
Wireless	45,300	52,976	64,247	68,846	78,832	88,739	98,259	108,635	119,948	132,285	13.5%	11.5%
Home Broadband & Wireline	723	1,076	1,543	1,776	2,314	2,813	3,334	3,855	4,377	4,901	25.8%	18.4%
Total	46,023	54,052	65,790	70,623	81,146	91,552	101,593	112,490	124,325	137,186	13.9%	11.7%
Revenue proportion (%)												
Wireless	98.4%	98.0%	97.7%	97.5%	97.1%	96.9%	96.7%	96.6%	96.5%	96.4%		
Home Broadband & Wireline	1.6%	2.0%	2.3%	2.5%	2.9%	3.1%	3.3%	3.4%	3.5%	3.6%		
Revenue growth (%)												
Wireless	18.5%	16.9%	21.3%	7.2%	14.5%	12.6%	10.7%	10.6%	10.4%	10.3%		
Home Broadband & Wireline	40.1%	48.8%	43.4%	15.1%	30.3%	21.6%	18.5%	15.6%	13.5%	12.0%		
Overall	18.8%	17.4%	21.7%	7.3%	14.9%	12.8%	11.0%	10.7%	10.5%	10.3%		
EBITDA												
EBITDA (INR mn)	11,373	18,985	28,884	34,475	40,640	47,051	53,651	61,014	69,223	78,373	16.8%	14.7%
EBITDA YoY Growth (%)	114.7%	66.9%	52.1%	19.4%	17.9%	15.8%	14.0%	13.7%	13.5%	13.2%		
EBITDA Margin (%)	24.7%	35.1%	43.9%	48.8%	50.1%	51.4%	52.8%	54.2%	55.7%	57.1%		
Capex (INR mn)												
Wireless	15,471	8,320	29,919	19,965	17,343	17,748	19,455	21,295	23,277	25,415		
Home Broadband & Wireline	296	425	599	1,066	810	844	980	1,111	1,236	1,356		
Total	15,767	8,745	30,518	21,031	18,153	18,592	20,436	22,405	24,513	26,771		
Capex intensity (Capex/Revenue)												
Wireless	34.2%	15.7%	46.6%	29.0%	22.0%	20.0%	19.8%	19.6%	19.4%	19.2%		
Home Broadband & Wireline	40.9%	39.5%	38.8%	60.0%	35.0%	30.0%	29.4%	28.8%	28.2%	27.7%		
Overall	34.3%	16.2%	46.4%	29.8%	22.4%	20.3%	20.1%	19.9%	19.7%	19.5%		
Capex proportion (%)												
Wireless	98.1%	95.1%	98.0%	94.9%	95.5%	95.5%	95.2%	95.0%	95.0%	94.9%		
Home Broadband & Wireline	1.9%	4.9%	2.0%	5.1%	4.5%	4.5%	4.8%	5.0%	5.0%	5.1%		

Source: Company, JM Financial.

Valuation

We expect BHL's EBITDA margin to further improve to 51.4%/57.1% in FY26/FY30, after having risen to 49.3% in 9MFY24 (vs. 24.7% in FY21), driven by strong ARPU growth on account of tariff hikes, and Bharti Airtel's premiumisation strategy and cost optimisation via its 'war on waste' programme. We expect **BHL's FY24-26/ FY24-30 EBITDA CAGR to be higher at ~17%/15%** respectively (vs. ~15%/12% for Bharti Airtel's India wireless business) due to ~2% subs CAGR and ~11% ARPU CAGR potential as Rajasthan/NE circle has: **a)** relatively lower teledensity (~80% vs. 85% pan-India); and **b)** relatively lower penetration of high ARPU post-paid (3-5% vs. ~8% pan-India) and data subs (71% vs. 73% for Bharti Airtel).

We **initiate coverage on BHL with a BUY rating and a TP of INR 790/share** based on 10x FY26 EV/EBITDA (in line with Bharti Airtel's India wireless business at CMP), implying ~39% upside in a year at the upper band of its IPO price band. Further, the stock could potentially double in 3-4 years on back of 15-17% EBITDA compounding story. Due to 2-3% higher EBITDA growth potential, BHL can command a slightly higher multiple than implied valuation of 10x FY26 EV/EBITDA for Bharti Airtel's India wireless business. However, we have still used 10x multiple to take care of potential concentration risk due to BHL's entire dependence on: **a)** Rajasthan and North East circles (vs. pan-India presence for Bharti Airtel); and **b)** wireless business as it contributed to 97-98% of its revenue.

We see BHL as a **mid-cap pure-play on wireless ARPU growth story** vis-à-vis Bharti Airtel (which sees 25-30% of its value coming from other than India wireless business (like Enterprise, Broadband & Africa business)).

Key triggers: Structural uptrend in ARPU via regular tariff hikes and upgrades/data monetisation.

Exhibit 36. BHL's valuation

Particulars	
FY26E EBITDA (INR mn)	47,051
EV/EBITDA multiple (x)	10.0
Enterprise Value (INR mn)	470,507
Less: Net debt (INR mn)	75,375
Equity value (INR mn)	395,132
Number of shares outstanding (mn)	500
TP (INR/share)	790
CMP based on IPO price (upper band) (INR/share)	570
Upside	39%

Source: Company, JM Financial

The exhibits below show the sensitivity of BHL's EBITDA and valuation to ARPU and subscriber growth. Every **increase/decrease in ARPU by INR 10 results in increase/decrease in BHL's FY26 EBITDA by ~3.6% and valuation by INR 34/share or ~4.3%**. Similarly, every increase/decrease in subscribers by 1mn results in increase/decrease in BHL's FY26 EBITDA by ~1.8% and valuation by INR 17/share or ~2.2%.

Exhibit 37. BHL -Sensitivity of FY26 consolidated EBITDA (INR 47.1bn in base case) and valuation (INR 790/share in base case) to FY26E ARPU and subscriber base (mn)

FY26 consolidated EBITDA (INR Bn) sensitivity									Valuation per share (INR/share) sensitivity								
		Wireless Subscriber base (mn)									Wireless Subscriber base (mn)						
		25.4	26.4	27.4	28.4	29.4	30.4	31.4			25.4	26.4	27.4	28.4	29.4	30.4	31.4
Wireless ARPU (INR)	209	39.6	40.4	41.2	42.0	42.7	43.5	44.3	Wireless ARPU (INR)	209	642	658	673	689	704	720	735
	219	41.2	42.1	42.9	43.7	44.5	45.3	46.1		219	674	690	706	723	739	755	771
	229	42.8	43.7	44.5	45.4	46.2	47.0	47.9		229	706	723	740	756	773	790	807
	239	44.4	45.3	46.2	47.1	47.9	48.8	49.7		239	738	756	773	790	808	825	842
	249	46.1	46.9	47.8	48.7	49.6	50.5	51.4		249	770	788	806	824	842	860	878
	259	47.7	48.6	49.5	50.4	51.4	52.3	53.2		259	802	821	839	858	877	895	914
	269	49.3	50.2	51.2	52.1	53.1	54.0	55.0		269	834	854	873	892	911	930	949

Source: JM Financial

Key Risks:

- a) Concentration risk due to BHL’s entire dependence on Rajasthan and North East circles vs. pan-India presence for Bharti Airtel. Further, BHL has high dependence on the wireless business with 97-98% of its revenue from it (with only 2-3% of revenue coming from fixed-line telephone and broadband business).
- b) Potential supply overhang as there is possibility of government selling its balance 15% stake at an opportune time after the SEBI mandated 6-month lock-in expires.
- c) Any sharp jump in BHL and industry capex due to changes in technology and/or competitive reasons.

Exhibit 38. Bharti consolidated one-year forward EV/EBITDA chart; Implied valuation of ~10x for India wireless business



Source: JM Financial, Bloomberg

Exhibit 39. 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	11.8	10.3	9.0	60.0	34.4	24.9	7.7	6.2	5.2	52.8	53.8	54.9	12.4	19.1	23.4
Jio (JMFe)	16.9	14.3	10.7	36.6	27.5	17.6	3.2	2.8	2.5	52.5	53.1	53.8	9.1	10.9	15.0
Indian telcos average	15.5	13.4	11.2	48.3	31.0	21.2	5.4	4.5	3.8	48.4	49.7	50.8	10.7	15.0	19.2
AT&T	6.2	6.0	5.9	7.1	7.8	7.6	1.1	1.1	1.0	35.6	36.1	36.4	16.2	13.9	13.4
T-Mobile	9.1	8.5	8.0	22.5	17.8	14.3	3.0	3.0	3.1	37.7	39.1	40.1	13.3	16.6	21.0
Verizon	6.2	6.7	6.6	7.1	9.1	8.9	1.1	1.8	1.6	35.7	35.9	36.1	16.2	19.8	18.4
US telcos average	7.2	7.1	6.8	12.2	11.6	10.3	1.7	2.0	1.9	36.3	37.1	37.5	15.2	16.8	17.6
Deutsche Telekom	6.8	6.2	5.9	13.3	12.4	11.0	2.0	1.9	1.8	36.4	39.0	39.9	21.5	14.7	15.8
Orange	5.4	5.2	5.1	9.7	9.7	8.9	0.9	0.9	0.8	29.3	30.2	30.7	8.8	8.7	9.1
Telefonica	5.5	5.5	5.4	11.8	12.0	11.1	0.9	1.0	1.0	32.0	31.9	32.3	6.0	7.9	8.5
Telenor	7.5	7.4	7.2	24.8	15.3	15.3	2.5	2.6	2.7	43.1	42.9	43.9	23.7	18.7	17.3
Vodafone Plc	5.7	5.9	5.8	11.1	9.2	7.7	0.4	0.3	0.3	29.6	30.3	30.7	2.9	3.3	3.8
Europe telcos average	6.2	6.0	5.9	14.1	11.7	10.8	1.3	1.3	1.3	34.1	34.9	35.5	12.6	10.7	10.9
China Mobile	6.8	3.4	3.3	8.9	9.6	9.0	1.8	1.0	1.0	34.7	32.8	32.1	20.4	10.0	10.3
China Telecom	3.6	3.5	3.4	11.6	10.6	9.7	0.8	0.8	0.8	26.8	26.2	25.9	7.0	7.4	7.9
China Unicom	1.2	1.2	1.2	8.6	7.9	7.2	0.5	0.5	0.4	27.1	26.4	26.1	5.4	5.9	6.3
China telcos average	3.9	2.7	2.6	9.7	9.3	8.6	1.0	0.7	0.7	29.5	28.5	28.0	10.9	7.8	8.2
KT Corp	1.2	3.3	3.2	8.6	7.4	6.9	0.5	0.5	0.5	20.5	20.5	20.3	5.4	7.0	7.1
LG Uplus	3.4	3.1	3.0	8.0	6.5	6.2	0.5	0.5	0.5	25.6	25.0	25.2	6.9	7.4	7.5
SK Telecom	3.9	3.8	3.8	10.4	9.9	9.4	1.0	0.9	0.9	31.3	31.1	30.9	9.4	9.5	9.6
Korea telcos average	2.8	3.4	3.3	9.0	7.9	7.5	0.7	0.6	0.6	25.8	25.5	25.5	7.2	8.0	8.1
Axiata	6.0	6.0	5.7	57.0	34.9	25.2	1.0	1.0	1.0	46.4	45.2	45.6	2.0	3.0	4.3
Maxis	9.4	9.0	8.7	20.3	20.3	19.2	4.4	4.9	4.7	39.5	39.8	39.8	20.5	22.3	23.6
Malaysia telcos average	7.7	7.5	7.2	38.7	27.6	22.2	2.7	2.9	2.9	42.9	42.5	42.7	11.3	12.7	14.0
Advanced Info	9.0	8.0	7.8	20.8	19.9	17.8	6.8	6.6	6.2	48.9	49.8	50.2	32.8	33.3	35.0
Chungwa Telecom	11.2	11.1	10.8	26.1	25.6	24.4	2.5	2.5	2.5	39.4	38.7	38.9	9.8	9.9	10.3
Converge ICT	4.4	4.2	3.9	8.0	7.6	7.0	1.6	1.3	1.1	60.0	58.7	59.1	21.1	18.7	17.2
Digi.com	NM	NM	NM	NM	NM	NM	NM	NM	NM	46.3	47.5	48.4	11.2	11.6	13.1
Globe Telecom	7.1	6.9	6.6	13.6	12.1	11.7	1.6	1.5	1.5	45.4	45.4	45.2	14.5	13.8	12.7
Indosat	6.0	5.3	5.0	25.6	17.4	14.2	2.9	2.7	2.4	46.6	48.4	49.0	12.1	15.2	16.9
MTN Group	3.2	3.8	3.4	8.1	12.7	10.3	1.3	1.2	1.1	42.4	39.5	40.1	NM	NM	NM
Singtel	12.8	12.2	11.7	16.2	15.1	13.3	1.5	1.4	1.4	26.3	26.9	27.4	9.6	9.6	10.4
Taiwan Mobile	13.7	12.2	11.6	26.1	26.1	23.3	4.0	4.3	4.3	19.2	19.3	18.7	17.0	15.6	17.6
Telecom Indonesia	5.0	4.9	4.6	13.3	12.7	11.9	2.4	2.2	2.2	53.0	52.6	52.9	18.3	18.0	18.4
XL Axiata	4.8	4.4	4.2	23.3	18.0	14.4	1.1	1.1	1.0	49.2	49.3	49.2	4.9	6.0	7.1
Other regional telcos average	7.7	7.3	6.9	18.1	16.7	14.8	2.6	2.5	2.4	43.3	43.3	43.5	15.1	15.2	15.9
Global telcos average	7.3	6.8	6.4	18.5	15.3	13.2	2.1	2.0	1.9	38.4	38.6	38.9	12.8	12.8	13.6

Source: Company, JM Financial.

BHL Board of Directors and Managerial Personnel details

Exhibit 40. BHL: Board of directors and key managerial personnel background

Name	Designation	Background
Jagdish Saksena Deepak	Chairperson and Non-Executive Director	He completed his post-graduate diploma in management from Indian Institute of Management, Ahmedabad. Prior to joining BHL, he was an Indian Administrative Service officer and served as the Ambassador / Permanent Representative of India to the World Trade Organisation, Geneva. He has served as the Secretary in the Department of Telecommunications and the Department of Electronics & Information Technology, Government of India. He has over 38 years of experience in administration services in various Ministries of Government of India.
Devendra Khanna	Non-Executive Director	He is an associate member of the Institute of Chartered Accountants of India. In the past, he has been associated with Triveni Engineering & Industries Limited. He is currently the joint managing director at Bharti Enterprises. He has over 35 years of experience inclusive of over 19 years of experience in telecommunication sector.
Soumen Ray	Non-Executive Director	He holds a bachelor's degree in commerce (honours) from University of Calcutta, Kolkata. He is an associate member of the Institute of Chartered Accountants of India. In the past, he has been associated with Bajaj Auto Limited, Viacom 18 Media Private Limited and ITC Limited. He is currently chief financial officer of Bharti Airtel Limited and has experience in various sectors including FMCG, telecommunication, automotive manufacturing and media.
Sanjeev Kumar	Non-Executive Director	He holds a bachelor's degree in technology from KNIT, Sultanpur, Avadh University, master's degree in engineering from the Birla Institute of Technology and Science, Pilani and a master's degree in business administration (public system management), University of Delhi, Delhi. In the past, he has been associated with Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited. He is currently the chairman and managing director of TCL. He has over 33 years of experience in telecommunication sector.
Surajit Mandol	Non-Executive Director	He holds a bachelor's degree in electronics & telecommunication engineering from Jadavpur University, Kolkata and a post graduate diploma in management from Indian Institute of Management, Kozhikode Society, Kozhikode. In the past, he has been associated with Bharat Sanchar Nigam Limited. He is currently the director (finance) of TCL. He has over 28 years of experience in telecommunication sector.
Ashok Tyagi	Independent Director	He holds a bachelor's degree in science from University of Delhi, Delhi. He is a fellow member of The Institute of Company Secretaries of India. He also has been awarded post-diploma in company secretaryship (part-time) by the Board of Technical Education, Delhi. He has over 17 years of experience of practicing as a company secretary.
Arvind Kohli	Independent Director	He holds a bachelor's degree in commerce from Delhi University and a diploma in intellectual property rights law from the Indian Law Institute, New Delhi. He is a member of the Indian Council of Arbitration, Institute of Company Secretaries of India and All India Management Association. He is also an associate member of the Indian Society of International Law. He is eligible to practise as a registered valuer for the asset class 'Securities or Financial Assets' and holds a certificate of registration as a valuer issued by Insolvency and Bankruptcy Board of India. He has over 25 years of experience of practicing as a company secretary.
Arun Gupta	Independent Director	He holds a bachelor's degree in law from Chaudhri Charan Singh University, Meerut. He is an associate member of The Institute of Company Secretaries of India and is also registered as an insolvency professional with the Insolvency and Bankruptcy Board of India. He has been a member of the of the Bar Council of Delhi since 2011 and has been practicing law for more than 12 years.
Nalina Suresh	Independent Director	She was awarded the degree of rashtira bhasha praveen by Dakshina Bharat Hindi Prachar Sabha, Tamil Nadu and also holds a post graduate diploma in personnel management and industrial relations from XLRI Jamshedpur. In the past, she has been associated with Godrej Pacific Technology Limited, I.G.E India Limited, Domino's Pizza India Limited as the chief-human resources, Grow Talent Company Limited, director in consulting SBU at PricewaterhouseCoopers Private Limited, Mahindra & Mahindra Limited, and as a senior partner at EMS Partners Limited. She has experience in various sectors across industries and in consulting.
Kapal Kumar Vohra	Independent Director	He holds a bachelor's degree in commerce from D.A.V. College, Jullundur, Guru Nanak Dev University, Amritsar. He also holds a master's degree in arts, a master's degree in business administration and has completed post graduate diploma in international trade, each from the Panjab University. He also holds a master's degree in business administration from Nijenrode University, Breukelen, Netherlands. He also has an honorary fellowship from Indian Institute of Banking and Finance. He has been the Executive Director in Reserve Bank of India and has also been associated with various institutions, such as Central Bank of Oman and International Finance Corporation, among others. He was a technical member of the National Company Law Tribunal, New Delhi and Mumbai. He has over 40 years of experience in the banking and regulatory sectors.
Marut Dilwari	Chief Executive Officer	He holds a master's degree in business administration from Maharshi Dayanand University, Rohtak. He holds a postgraduate certificate in business management from XLRI, Jamshedpur. Prior to joining BHL, he was associated with Escotel Mobile Communications Limited, Bharti Cellular Limited, Aditya Birla Retail Limited and Tata Teleservices Limited.
Akhil Garg	Chief Financial Officer	He holds a master's degree in business administration from University of Melbourne. He is an associate member of the Institute of Chartered Accountants of India. Prior to joining BHL, he was associated with PepsiCo India Holdings Private Limited and ECS Limited.
Richa Gupta Rohatgi	Company Secretary and Compliance Officer	She holds a bachelor's degree in law from Chaudhri Charan Singh University, Meerut and a bachelor's in commerce from Hansraj College, Delhi University. She is an associate member of The Institute of Company Secretaries of India. Prior to joining BHL, she was associated with Eldco Infrastructure and Properties Limited, SRL Limited, Pacific Development Corporation Limited and Religare Finvest Limited.

Source: Company

Financial Tables

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	54,052	65,790	70,623	81,146	91,552
Sales Growth	17.4%	21.7%	7.3%	14.9%	12.8%
Other Operating Income	888	1,402	1,000	1,000	1,000
Total Revenue	54,940	67,192	71,623	82,146	92,552
Cost of Goods Sold/Op. Exp	31,911	32,025	30,368	34,122	37,628
Personnel Cost	764	903	1,130	1,217	1,282
Other Expenses	3,237	5,005	5,650	6,167	6,592
EBITDA	19,028	29,259	34,475	40,640	47,051
EBITDA Margin	35.2%	44.5%	48.8%	50.1%	51.4%
EBITDA Growth	64.8%	53.8%	17.8%	17.9%	15.8%
Depn. & Amort.	14,410	15,533	17,397	19,137	20,093
EBIT	4,618	13,726	17,078	21,503	26,957
Other Income	0	0	0	0	0
Finance Cost	5,718	6,388	6,179	5,535	4,839
PBT before Excep. & Forex	-1,100	7,338	10,900	15,968	22,119
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	-1,100	7,338	10,900	15,968	22,119
Taxes	1,665	1,846	2,747	4,024	5,574
Extraordinary Inc./Loss(-)	19,511	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	16,746	5,492	8,153	11,944	16,545
Adjusted Net Profit	-788	5,492	8,153	11,944	16,545
Net Margin	-1.4%	8.2%	11.4%	14.5%	17.9%
Diluted Share Cap. (mn)	500	500	500	500	500
Diluted EPS (INR)	-1.6	11.0	16.3	23.9	33.1
Diluted EPS Growth	-90.9%	-797.0%	48.4%	46.5%	38.5%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	36,605	42,095	47,802	56,163	67,744
Share Capital	2,500	2,500	2,500	2,500	2,500
Reserves & Surplus	34,105	39,595	45,302	53,663	65,244
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	95,651	98,299	90,956	79,927	71,110
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	132,256	140,394	138,758	136,089	138,854
Net Fixed Assets	102,977	131,101	134,735	133,752	132,250
Gross Fixed Assets	55,365	71,661	75,295	74,312	72,810
Intangible Assets	47,612	44,643	44,643	44,643	44,643
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	23,543	22,452	22,452	22,452	22,452
Current Assets	40,223	28,976	25,112	26,492	33,788
Inventories	0	0	0	0	0
Sundry Debtors	20,958	1,489	1,598	1,837	2,072
Cash & Bank Balances	885	555	3,566	4,584	5,535
Loans & Advances	814	10,792	3,292	2,292	7,292
Other Current Assets	17,566	16,140	16,656	17,779	18,889
Current Liab. & Prov.	34,487	42,135	43,542	46,606	49,636
Current Liabilities	14,952	14,406	15,464	17,768	20,047
Provisions & Others	19,535	27,729	28,078	28,837	29,589
Net Current Assets	5,736	-13,159	-18,430	-20,114	-15,847
Total - Assets	132,256	140,394	138,758	136,089	138,854

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	18,411	7,338	10,900	15,968	22,119
Depn. & Amort.	14,410	15,533	17,397	19,137	20,093
Net Interest Exp. / Inc. (-)	5,718	6,388	6,179	5,535	4,839
Inc (-) / Dec in WCcap.	-25,988	21,980	799	1,740	1,721
Others	177	42	-1,000	-1,000	-1,000
Taxes Paid	-148	-197	-2,747	-4,024	-5,574
Operating Cash Flow	12,580	51,084	31,528	37,356	42,198
Capex	-13,379	-10,712	-21,031	-18,153	-18,592
Free Cash Flow	-799	40,372	10,496	19,203	23,606
Inc (-) / Dec in Investments	-471	-9,680	7,500	1,000	-5,000
Others	25	83	1,000	1,000	1,000
Investing Cash Flow	-13,825	-20,309	-12,531	-16,153	-22,592
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	8,137	-24,419	-7,361	-11,066	-8,853
Inc / Dec (-) in Loans	-2,823	-3,855	-8,625	-9,119	-9,802
Others	-3,461	-2,831	0	0	0
Financing Cash Flow	1,853	-31,105	-15,985	-20,185	-18,655
Inc / Dec (-) in Cash	608	-330	3,011	1,018	951
Opening Cash Balance	277	885	555	3,566	4,584
Closing Cash Balance	885	555	3,566	4,584	5,535

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	-1.5%	8.3%	11.5%	14.7%	18.1%
Asset Turnover (x)	0.5	0.5	0.5	0.6	0.7
Leverage Factor (x)	4.2	3.5	3.1	2.6	2.2
RoE	-2.8%	14.0%	18.1%	23.0%	26.7%

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	73.2	84.2	95.6	112.3	135.5
ROIC	10.4%	8.3%	10.3%	12.9%	16.6%
ROE	-2.8%	14.0%	18.1%	23.0%	26.7%
Net Debt/Equity (x)	2.4	1.9	1.6	1.2	0.8
P/E (x)	17.0	51.9	35.0	23.9	17.2
P/B (x)	7.8	6.8	6.0	5.1	4.2
EV/EBITDA (x)	19.7	12.5	10.5	8.7	7.2
EV/Sales (x)	6.9	5.6	5.1	4.3	3.7
Debtor days	142	8	8	8	8
Inventory days	0	0	0	0	0
Creditor days	152	139	152	156	161

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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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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