



**AJCONGLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISORS



**IPO note:**

**Bharti Hexacom Limited- SUBSCRIBE FOR LONG TERM**

They are a communications solutions provider offering consumer mobile services, fixed-line telephone and broadband services to customers in the Rajasthan and the North East telecommunication circles in India, which comprises the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. They offer their services under the brand 'Airtel'. Company was originally incorporated in 1995 as 'Hexacom India Limited'. In 2004, the name of their Company was changed to 'Bharti Hexacom Limited' when Airtel acquired a majority equity interest in their Company. Airtel owns 70% of their outstanding equity share capital. Airtel is a global communications solutions provider with over 500 million customers in 17 countries across South Asia and Africa. It is among the top global mobile operators in terms of number of customers and is India's largest integrated communications solutions provider in terms of consolidated operating revenue as of Fiscal 2023.

With a gamut of digital offerings to enhance customer engagement and differentiated customised offerings through family and converged plans under Airtel Black proposition, it has resulted in the continuous improvement of their revenue market share during the last three fiscals. They undertake prudent cost optimisation measures to improve their profitability and maintain an efficient capital structure with a comfortable leverage position.

Company also derive significant synergies from the relationship with their Promoter, Airtel, through the expansive digital infrastructure, digital experience and the digital services it provides to its customers.

Rajasthan had a teledensity of 79.5% as of Fiscal 2023, which lags the national average of 84.5% due to its lower rural teledensity of 57.2%. Rajasthan's customer base is expected to grow at 1.4% to 1.5% between Fiscals 2023 and 2028 reaching 69.0 million to 69.5 million with a teledensity of 82% to 83% following Pan-India trends with rising rural teledensity. Wireless customers are expected to account for approximately 98.5% of the customers by Fiscal 2028.

The North East circle had a teledensity of 79.7% as of Fiscal 2023 with a majority of its telecom customers being wireless due to the limited penetration of wireline services on account of challenges in laying and maintaining wireline infrastructure given the region's hilly terrain and extreme weather conditions. The region is also receiving special attention from the Government towards infrastructure improvement. The government is implementing various schemes including a 4G saturation project for the provision of 4G mobile services across all 24,680 uncovered villages of India, including in the North East. The customer base in the North East is expected to grow at 1% to 1.5% between Fiscals 2023 and 2028 reaching 13.2 to 13.5 million with a teledensity of 81% to 82%. The North East circle telecom industry is expected to grow at 6% to 7% between Fiscals 2023 and 2028 to reach Rs. 39 to Rs. 41 billion, supported by rising teledensity, higher internet penetration and a potential increase in ARPU in the region.

In the Rajasthan circle, the market share gap between them and the market leader has narrowed between Fiscal 2021 and the nine months ended December 31, 2023 and they stood at the close second position during the nine months ended December 31, 2023. They have been able to consistently increase their ARPU for mobile services from ₹135 for Fiscal 2021 to ₹155 for Fiscal 2022 to ₹185 for Fiscal 2023 to ₹197 for the nine months ended December 31, 2023.

As of December 31, 2023, they were present in 486 census towns and had an aggregate of 27.1 million customers across both the circles. Their customer market share has grown consistently in Rajasthan from 33.1% as of March 31, 2021 to 35.0% as of December 31, 2023 and in the North East from 43.6% to 49.8% between the same dates.

They have an extensive distribution and service network across the regions they operate in and during the nine months ended December 31, 2023 and the last three Fiscals, they have set up 51 retail outlets and 24 small format stores to reach 90 cities. As of December 31, 2023, their distribution network comprised 616 distributors and 89,454 retail touchpoints.

**Investment Recommendation and Rationale: -**

**At the upper price band of Rs. 570 the issue is priced at an EV/EBIDTA multiple of 13.48x its 9MFY24 EBIDTA. Though the issue is marginally expensive compared to its peer, we believe the company operates in geographic area with high scope for growth and so give a “SUBSCRIBE FOR LONG TERM” rating to the issue.**

Type of Issue	Offer for sale of 7.5 crore shares aggregating to Rs 4,275.00 crores.
Issue size	Rs 4,275.00 crores
Price Band	₹542 to ₹570 per share (FV 5)
Bid lot/ Bid Size	26 Shares/ ₹14,820
Issue structure	QIB-75%, Retail-10%, HNI-15%
Post issue equity shares	500,000,000
Promoters and Promoter Group Public	Pre-Issue – 70.00 %   Post-Issue – 70.00% Pre issue public – 30%   Post issue public 30%
Post issue implied market cap	Rs. 28,500 crores
BRLMs	ICICI Securities Limited, SBI Capital markets limited, Axis capital limited, BOB capital markets limited, IIFL Securities limited
Registrar to the issue	KFINTECH Limited

**Financial Summary (Restated Consolidated) (₹Crore)**

Particulars	9M FY24	FY23	FY22	FY21
Revenue from operations	5,220.80	6,579.00	5,405.20	4602.30
Revenue from mobile services	5,069.60	6,424.70	5,297.60	4,530.00
Revenue from home and office service	151.20	154.30	107.60	72.30
EBIDTA	2,576.40	2,888.40	1,898.50	1,137.30
EBIDTA Margin (%)	49.35%	43.90%	35.12%	24.71%
Total Income	5,420.80	6,719.20	5,494.00	4,704.30
Profit for the year/period	281.80	549.20	1,674.60	(1,033.9)
ROCE	10.68%	10.72%	4.10%	(1.58%)
ARPU for fixed-line telephone and broadband services	544	598	683	774
Average revenue per user (ARPU) for mobile service (Rs.)	197	185	155	135
Customer base for mobile service (In Thousand)	26,782	25,827	24,767	24,979
Net debt/EBITDA	2.9	2.8	4.7	6.8
Net worth	3,978.80	3,972.20	3,573.20	1,898.70
Customer base for mobile services (000,s)	26,783	25,827	24,767	24,979
Monthly Churn	2.5%	2.7%	2.7%	1.8%
4G/ 5G Data customer (000,s)	18,839	17,006	15,027	13,348
Data usage per customer per month (GB)	23.1	21.8	20.0	16.8
Network Towers	24,874	21,672	18,786	17,188

Source: Red Herring Prospectus (RHP),

Net debt/ EBITDA = [total debt + lease liabilities + deferred payment liabilities – cash and cash equivalents – marketable securities]/ EBITDA

### Objects of the issue

Bharti Hexacom IPO is a book built issue of Rs 4,275.00 crores. The issue is entirely an offer for sale of 7.5 crore shares.

### Offer for Sale

Offer for sale of up to 7,50,00,000 equity shares aggregating to Rs 4,275.00 crores

Name of the Investor Selling Shareholder	Type	Number of Equity Shares offered	Weighted Average Cost of Acquisition in ₹ per Equity Share
Telecommunications Consultants India Limited	Selling Shareholder	Up to 7,50,00,000 Equity Shares	7.08

Source: Red Herring Prospectus (RHP)

### Shareholding Pattern

Name	Pre - Offer Equity Share capital		Post - Offer Equity Share capital	
	No. of Equity Shares	% of total shareholding	No. of Equity Shares	% of total shareholding
Bharti Airtel Limited	35,00,00,000	70.00	35,00,00,000	70.00
Telecommunications Consultants India Limited	15,00,00,000	30.00	7,50,00,000	15.00
Public	-	-	7,50,00,000	15.00
<b>Total</b>	<b>50,00,00,000</b>	<b>100.00</b>	<b>50,00,00,000</b>	<b>100.00</b>

Source: Red Herring Prospectus (RHP)

### Revenue contribution breakdown (₹Crore)

Particulars	December 31 <sup>st</sup> 9M FY24	Fiscal Year		
	2023 Revenue	2023 Revenue	2022 Revenue	2021 Revenue
Revenue from operations	5,220.80	6,579.00	5,405.20	4,602.30
Revenue from mobile services in the Rajasthan and North East circles	5,069.60	6,424.70	5,297.60	4,530.00
Revenue from mobile services in the Rajasthan and North East circles, as a percentage of revenue from operations	97.10%	97.65%	98.01%	98.43%
Revenue from home and office services in the Rajasthan and North East circles	151.20	154.30	107.60	72.3
Revenue from home and office services in the Rajasthan and North East circles, as a percentage of revenue from operations	2.90%	2.35%	1.99%	1.57%

Source: Red Herring Prospectus (RHP)



**AJCONGLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISORS

### Revenue Geography Split (adjusted gross revenue)

Revenue parameter	9M Fiscal 2024	9M Fiscal 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Revenue from Rajasthan circle (Rs billion)	37.1	32	43.5	33.6	25.4
Revenue from Rajasthan circle, as a percentage of total revenue	78.20%	76.70%	76.70%	76.90%	78.60%
Revenue from Northeast circle (Rs billion)	10.4	9.7	13.2	10.1	6.9
Revenue from Northeast circle, as a percentage of total revenue	21.80%	23.30%	23.30%	23.10%	21.40%

Source: Red Herring Prospectus (RHP)

### Peer Comparison (In crores except per share data)

Particulars	Type of financials	Face value (₹)	Revenue from operation	EPS (Basic) (₹)	P/E	RoNW
<b>Company*</b>	Standalone	5.00	6579.00	10.98	51.89	13.83
<b>Peers</b>						
<b>Bharti Airtel Limited</b>	Consolidated	5.00	1,39,144.8	14.80	82.16	15.84
<b>Vodafone Idea Limited</b>	Consolidated	10.00	42177.20	(8.43)	(1.63)	NA
<b>Reliance Jio Infocomm Limited**</b>	Standalone	10.00	90786.00	4.05	NA	8.43

\*Company pe is based on the 2023 PAT

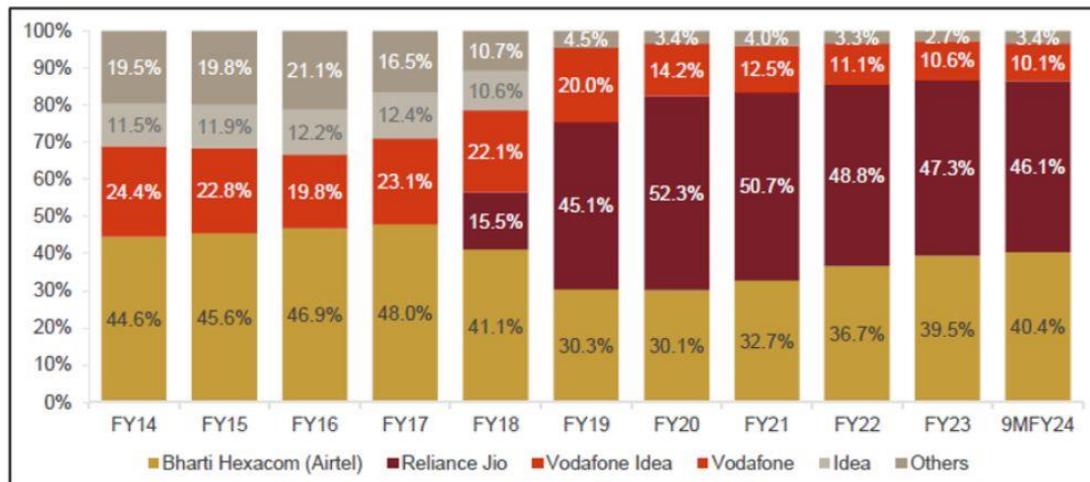
\*\* All the information for Reliance Jio Infocomm Limited as disclosed above is based on annual report or quarterly public disclosures.

Source: Red Herring Prospectus (RHP)

### Market Share

#### Rajasthan Circle

#### Telecom Rajasthan RMS (AGR) (wireless + wireline)

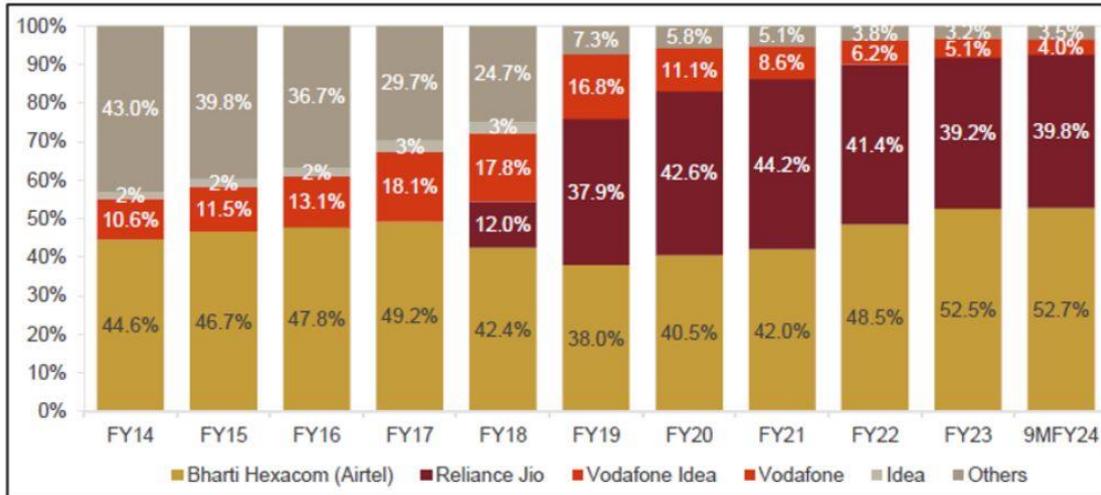


Note: RMS is calculated based on adjusted gross revenue reported by wireless operators to TRAI. Others include BSNL, Airtel, Tata Teleservices and Sistema in Fiscal 2014 to list a few; others include Reliance Communications, MTNL and BSNL in Fiscal 2023. 9M represents cumulative revenue for nine months of the respective fiscal.



*North East Circle*

**Telecom Northeast RMS (AGR) (wireless + wireline)**



*Note: RMS is calculated based on adjusted gross revenue reported by wireless operators to TRAI. Others include BSNL, Airtel, Tata Teleservices and Sistema in Fiscal 2014 to list a few; others include Reliance Communications, MTNL and BSNL in Fiscal 2023; Source: DoT, TRAI, CRISIL MI&A.*

**Competitive Strengths**

1. Established Leadership and Large Customer Base in their area of operations
2. Presence in Markets with High Growth Potential
3. Strong Parentage and Established Brand
4. Building a Future Ready Network
5. Extensive Distribution and Service Network
6. Experienced Management Team

Source: Red Herring Prospectus (RHP)

**Growth Strategies**

1. Grow Their Revenue by Focusing on Acquiring and Retaining Quality Customers
2. Expand Their Network Coverage
3. Improve Their Cost Efficiencies
4. Deliver Brilliant Customer Experience through an Omnichannel Approach and Extensive Use of Data Science

Source: Red Herring Prospectus (RHP)

**Key Risks**

1. They derive their revenues from providing mobile telephone services in Rajasthan and the North East circle and any unfavourable developments in such regions could adversely affect their business, results of operations and financial condition.
2. There are outstanding legal proceedings involving the Promoter, in addition to their Company. Any adverse outcome in any of these proceedings may adversely affect their reputation, business, financial condition and results of operations.
3. As of December 31, 2023, they had contingent liabilities which have not been provided for in their Restated Financial Information and could adversely affect their business, financial condition and results of operations.
4. Reduction in revenue they earn for their telecom services, due to regulatory ceilings on pricing, or owing to pricing pressure, reduction in average revenue per user ("ARPU"), may have an adverse effect on their business, financial condition, results of operations and prospects.
5. They have incurred significant indebtedness, and they must service this debt and comply with any lenders' covenants to avoid defaulting on their borrowings and refinancing risk. Any default may adversely affect their business and profitability.
6. They require significant capital to fund their capital expenditure and if they are unable to raise additional capital, their business, financial condition and results of operations could be adversely affected.
7. Any change in relationship with their Promoter, Airtel and its affiliates, may adversely affect the reputation, business, operations, financial condition and results of operations.
8. They have been, and continue to be, involved in material legal proceedings.

Source: Red Herring Prospectus (RHP)

**Disclosure under SEBI Research Analyst Regulations 2014:**

Sr.no.	Particulars	Yes/No
1)	Research Analyst or his/her relative's or Ajcon Global Services Limited financial interest in the subject company(ies):	No
2)	Research Analyst or his/her relative or Ajcon Global Services Limited actual/beneficial ownership of 1% or more securities of the subject company (ies) at the end of the month immediately preceding the date of publication of the Research report	No
3)	Research Analyst or his/her relative or Ajcon Global Services Limited has any other material conflict of interest at the time of publication of the Research Report	No
4)	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5)	Ajcon Global Services Limited has received any compensation from the subject company in the past twelve months	No
6)	Ajcon Global Services Limited has received any compensation for investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
7)	Ajcon Global Services Limited has received any compensation for products or services other than investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
8)	Ajcon Global Services Limited has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9)	Ajcon Global Services Limited has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10)	Research Analyst or Ajcon Global Services Limited has been engaged in market making activity for the subject company(ies)	No

**Disclaimer**

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited is a fully integrated stock broking, investment banking, merchant banking, corporate advisory, commodity and currency broking Company. It may therefore have commercial relationship for the above said services with the Company covered in this Report. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to



update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

It is confirmed that Aadesh Gosalia or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

### **Analyst Certification**

I, Aadesh Gosalia, research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

### **For research related queries contact:**

Mr. Aadesh Gosalia- Research Analyst at [research@ajcon.net](mailto:research@ajcon.net)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: [www.ajcononline.com](http://www.ajcononline.com)

### **Registered and Corporate office**

408 - (4<sup>th</sup> Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062