

IPO Report

Choice

“SUBSCRIBE” to

Bharti Hexacom Ltd.

Benefiting from the duopoly structure of the telecommunication market



Salient features of the IPO:

- **Bharti Hexacom Ltd.** (BHL), a telecom & broadband service provider in the Rajasthan and North-East telecommunication circles under the brand name "Airtel"; and also a subsidiary of telecommunication giant Bharti Airtel Ltd., is coming up with an IPO to raise around Rs. 4,300cr, which opens on 3rd Apr. and closes on 5th Apr. 2024. The price band is Rs. 542 - 570 per share.
- The IPO only consists of OFS portion. Thus, the company will not receive any proceeds from the issue.
- Telecommunications Consultants India Ltd. (TCIL), a sole public (non-promoter group) shareholder and a Government of India owned entity is participating in the OFS issue and offloading 7.5cr shares. However, post-IPO, the shareholding between the promoter & promoter group and public will remain unchanged to 70% and 30%, respectively.
- As per the DRHP filed with the SEBI, TCIL initially planned to sell up-to 10cr equity shares.

Key competitive strengths:

- Established leadership and large customer base in the area of operations
- Presence in markets with high growth potential
- Strong parentage and established brand
- Building a future ready network
- Extensive distribution and service network
- Experienced management team

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable outcome towards One Time Spectrum Charges
- Geographical revenue concentration risk
- Capital intensive operations
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- The Indian telecommunication market is divided into 22 circles and comprises of wire-less services (or mobile services) and wire-line services (or fixed-line services). As of 31st Dec. 2023, wire-less services accounted for 97.3% of total telecom customers, while the rest 2.7% was for wire-line services. A telecom service (telco) provider needs to acquire spectrum in each circle to provide comprehensive coverage to its consumers. Also it needs to acquire a unified license with authorizations for access services in each circle. Spectrum is periodically auctioned by the government, thus, if a new teleco plans to launch services in a particular region, it will have to buy both spectrum and a license for the entire circle.
- In FY14, there were 14 telcos providing telecom services in India. With an intention to gain subscriber market share, telcos ventured into a price-war, which was economically un-sustainable for small telcos. Consequently, some telcos exited the market and couple of them merged with stronger players, thereby leading to a consolidation in the market. Currently, there are mainly four pan-India telecom service providers in India, namely, Reliance Jio Infocomm Ltd. (RJio), Bharti Airtel Ltd. (BAL), Vodafone India Ltd. (VIL) and Bharat Sanchar Nigam Ltd. (BSNL). During 9M FY24, top-2 players i.e. RJio and BAL has cornered around 80% of the market in terms of revenue and 72% in terms of subscriber base. Mainly due to financial stress, VIL's position in the market is continuously declining since FY18. So despite being an oligopolistic operating structure of the market, since FY22, the domestic telecom market effectively resembles a duopoly operating structure, thereby providing an operating leverage to top-2 players.

Issue details

Price band	Rs. 542 - 570 per share
Face value	Rs. 5
Shares for fresh issue	Nil
Shares for OFS	7.5cr shares
Fresh issue size	N/a
OFS issue size	Rs. 4,065 - 4,275cr
Total issue size	7.5cr shares (Rs. 4,065 - 4,275cr)
Bidding date	3 rd Apr. - 5 th Apr. 2024
Implied MCAP at higher price band	Rs. 28,500cr
Implied enterprise value at higher price band	Rs. 37,595cr

Book running lead manager
SBI Capital Markets Ltd., Axis Capital Ltd., BOB Capital Markets Ltd., ICICI Securities Ltd. and IIFL Securities Ltd.

Registrar
Kfin Technologies Ltd.

Sector
Telecom

Promoters
Bharti Airtel Ltd.

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	75%	5.625cr shares
Non institutional portion (Big)	10%	0.75cr shares
Non institutional portion (Small)	5%	0.375cr shares
Retail portion	10%	0.75cr shares

Indicative IPO process time line

Finalization of basis of allotment	8 th Apr. 2024
Unblocking of ASBA account	10 th Apr. 2024
Credit to demat accounts	10 th Apr. 2024
Commencement of trading	12 th Apr. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	70.00%	70.00%
Public	30.00%	30.00%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	26
Application money	Rs. 14,820 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Mobility subscriber base (cr)	ARPU (Rs.)	TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM adjusted PAT (Rs. cr)	TTM EBITDA margin	TTM adjusted PAT margin
					1 M	3 M	6 M	1 Y							
Bharti Hexacom Ltd.	5	570	28,500	37,595					2.7	195.5	6,953	3,253	787	46.8%	11.3%
Bharti Airtel Ltd.	5	1,225	7,36,929	9,17,471	8.6%	20.0%	33.2%	60.8%	34.6	208.0	1,48,392	77,624	13,518	52.3%	9.1%
Vodafone Idea Ltd.	10	13	64,841	2,90,721	-16.1%	-0.8%	10.9%	120.5%	21.5	145.0	42,577	17,001	(30,716)	39.9%	-72.1%
Average										182.8				32.2%	46.1%

Company name	3Y ARPU growth (CAGR)	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average CFO / Capital employed	3Y average fixed asset turnover	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Bharti Hexacom Ltd.	17.3%	19.6%	62.7%		32.9%	-3.9%	29.3%	83.5%	(78.1)	24.4%	0.5	0.3	-9.8%	2.0%
Bharti Airtel Ltd.	15.4%	17.6%	25.3%	229.4%	48.6%	3.2%	20.9%	16.4%	(78.8)	24.3%	0.4	0.3	5.6%	10.8%
Vodafone Idea Ltd.	12.3%	0.3%	-0.4%	9.8%	40.5%	-67.0%	4.2%	9.8%	(97.1)	12.6%	0.2	0.2		-5.8%
Average	15.0%	8.9%	12.4%	119.6%	44.5%	-31.9%	12.5%	13.1%	(87.9)	18.4%	0.3	0.3	5.6%	2.5%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM earning yield
Bharti Hexacom Ltd.	15.7	84.2	0.0	2.4	0.5	0.4	18.7%	12.6%	36.2	6.8	5.4	11.6	4.1	2.8%
Bharti Airtel Ltd.	22.5	128.9	6.0	2.6	0.5	0.3	17.4%	13.5%	54.5	9.5	6.2	11.8	5.0	1.8%
Vodafone Idea Ltd.	(6.3)	(15.3)	0.0	(3.0)	0.2	0.2		-3.8%		(0.9)	6.8	17.1	1.5	
Average			3.0	(0.2)	0.3	0.3	17.4%	4.8%	54.5	4.3	6.5	14.5	3.2	1.8%

Note: Financials for the period during FY21-23 and for TTM ending Dec. 2023; Source: Choice Broking Research

- Incorporated in 1995 as Hexacom India Ltd. and with BAL acquiring a majority stake in 2004, the company's name was changed to BHL. Presently, BAL is the promoter entity with 70% stake and rest 30% is held by TCIL, a Government of India enterprise and a sole public shareholder in the company. With this IPO, TCIL is offloading half of its stake in BHL. Being a subsidiary of BAL, BHL provides telecom services under the "Airtel" brand name and is able to significantly leverage its relationship with other BAL affiliated companies.
- BHL offers telecom services like mobile, fixed-line telephone and broadband services to customers in Rajasthan and in the North-East telecommunication circles in India, which comprises of the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. As of 31st Dec. 2023, it had 2.7cr subscribers (mainly comprising of 2.68cr wire-less subscribers) across 486 census towns of the two authorized telecommunication circles. Of these, around 72% of the subscribers were 4G/5G customers, with each subscriber consuming around 23GB of data per month during 9M FY24.
- Both the circles represented around 6.6% of the national telecommunication subscriber base. Rajasthan and North-East circles had a teledensity of 79.5% and 79.7%, compared to the national average of 84.5% in FY23. Thus, considering just the teledensity, these two circles demonstrate a strong growth potential for the telcos.
- Since FY22, BHL has managed to be at number one position in the North East circle in terms of revenue market share (RMS), while in the Rajasthan circle, its RMS-gap with respect to the market leader has narrowed and is the second largest telco during 9M FY24. According to the management, the company was able to expand its market share mainly by acquiring & retaining high value customers and by offering them superior experience at competitive prices. As a result of this strategy and coupled with massive investment towards the network coverage, BHL was able to consistently increase its ARPU and market share between FY21 and 9M FY24. Its ARPU for the mobile services has increased from Rs. 135 in FY21 to Rs. 185 in FY23 and to Rs. 197 during 9M FY24. During FY21-23, business from the mobility segment increased by 19.2% CAGR to Rs. 6,462.4cr.
- The company rely on a robust network infrastructure with a mix of owned and leased assets. Between FY21 and 9M FY24, the company has invested Rs. 7,100cr in expanding its network coverage & infrastructure. It has deployed 9,805 network sites during this period. As of 31st Dec. 2023, it had invested Rs. 20,600cr for a future ready digital infrastructure. To support its operations, BHL utilized 24,874 network towers, of which 5,092 towers are owned and the remaining 19,782 towers were leased from tower companies. It also has a spectrum portfolio with varied pool of mid-band spectrum (1800/2100/2300MHz bands) along with spectrum holdings in 900MHz, 3500MHz and 26GHz bands, which enables it to offer 5G-Plus services on the widely chosen non-standalone network architecture, which has a low cost of ownership.
- For broadband services, it mainly has an asset light business model, which is backed by its partnerships with local cable operators. Such arrangements has led to a faster roll-out of fiber home passes, shortened time for go-to-market beyond larger towns. The company has increased the number of cities in which it provides broadband services from 23 cities in FY21 to 90 cities during 9M FY24. During FY21-23, the business from broadband services increased by 46.1% CAGR to Rs. 154.3cr.

Key highlights of the company (Contd...):

- BHL has an extensive distribution & service network across the operating regions. As of 31st Dec. 2023, its distribution network comprised 616 distributors and 89,454 retail touch-points.
- The domestic telecommunication market has high entry barriers for a new telecom player on account of the regulation of spectrum & its cost of acquisition, high capital investments required for sustaining telecom services, hurdles in establishing network coverage across India, etc. Moreover, entry barrier of a new telecom player in the Rajasthan and North-East circle is even higher on account of the geographic challenges in laying down & maintaining telecom infrastructure in areas with low population density and hilly terrain.
- The company has DoT (Department of Telecommunications) related contingent liabilities of Rs. 5,771cr, of which Rs. 4,577cr is related to One Time Spectrum Charge demand. Currently, the issue is sub-judiced, thus any unfavorable outcome will significantly impact the operating & financial performance of the company.
- During FY21-23, BHL has reported a solid business growth, mainly on account of aggressive tariff hikes. This has resulted in a drastic improvement in the operating margins, but net earnings were volatile largely on account of exceptional gains & (losses). The company reported a 19.6% CAGR rise in the total operating revenue to Rs. 6,579cr in FY23. The Mobility services segment reported a 19.2% CAGR increase in business, while generating around 98.5% of the gross revenue. Growth in the Mobility services segment was backed largely by around 17% CAGR rise in the ARPU. Total operating expenditure increased by 3.4% CAGR (a rate lower than the top-line growth), thereby resulting in a 19ppts expansion in operating (EBITDA) margin. During FY21-23, EBITDA increased by 62.7% CAGR to Rs. 2,785.7cr in FY23. With expansion in the business, depreciation & amortization increased by 9.9% CAGR, whereas, higher financial liabilities led to 11.2% CAGR rise in finance costs. The company reported an exception loss of Rs. 341.7cr (on account of license fee & spectrum usage charges, re-assignment/ re-validation of microwave access/backbone carriers, rates & taxes, etc.) in FY21 and an exceptional gain of Rs. 1,951.1cr (mainly on account of a commercial settlement with a service provider and a strategic vendor). As a result, it reported a net loss of Rs. 1,033.9cr in FY21 and net profit of Rs. 1,674.6cr in FY22 and Rs. 549.2cr in FY23. Adjusted PAT (excluding exceptional gains/(losses) was in red in FY21 and FY22, while positive (Rs. 549.2cr) in FY23.
- BHL reported positive operating cash flows during the period, which increased by 83.5% CAGR. Average operating cash flow stood at Rs. 2,628cr. Total consolidated financial liabilities increased by 8% CAGR, however, with improved profitability, debt-to-equity ratio improved from 4.4x in FY21 to 2.4x in FY23. Pre-issue RoIC and RoE stood at 8.1% and 13%, respectively, in FY23
- During 9M FY24, BHL reported a 7.1% and 5.1% Y-o-Y rise in the mobility tariffs and subscriber base, resulting to a 7.7% Y-o-Y growth in total operating revenue, which stood at Rs. 5,220.8cr. EBITDA and adjusted PAT margin expanded by around 6ppts and 4ppts, respectively, to 47.6% and 11.2%. On TTM basis, top-line stood at Rs. 6,953.3cr with EBITDA and PAT margin of 46.8% and 11.3%, respectively.
- Based on our conservative assumptions, we are forecasting a 3.7% and 3.2% CAGR increase in mobility subscriber base and ARPU, respectively, over FY23-25E. Consequently, top-line is estimated to grow by 7.8% CAGR to Rs. 7,648.5cr in FY25E. With relatively lower operating expenditure, EBITDA and PAT margins are expected to expand by 517bps and 419bps, respectively, to 47.5% and 12.5%, in FY25E; compared to 42.3% and 8.3% in FY23. RoIC and RoE are estimated to be at 9.9% and 16.2%, respectively, in FY25E, compared to 8.1% and 13% in FY23.

Peer comparison and valuation: The domestic telecommunication market is effectively operating with a duopoly structure. BHL, being promoted by BAL, is positively impacted by the synergies arising from the arrangement with the BAL and its affiliates. BHL is present in Rajasthan and North-East telecommunication circles, which has a huge growth potential considering the current teledensities.

Since Nov. 2021, BHL implemented series of tariff hikes (leveraging the duopoly structure), a significantly improved its operating and financial performance. Considering higher entry barrier for the new players, continued capex requirement and higher spectrum costs, we believe, there will be continued improvement in the operating & financial performance of the company in the medium-term.

At higher price band, BHL is demanding an EV/TTM sales multiple of 5.4x, which is at discount to peer average of 6.5x. in-line to the peer average of 3.9x. Thus, considering the above observations, we are assigning a **"SUBSCRIBE"** rating for the issue.

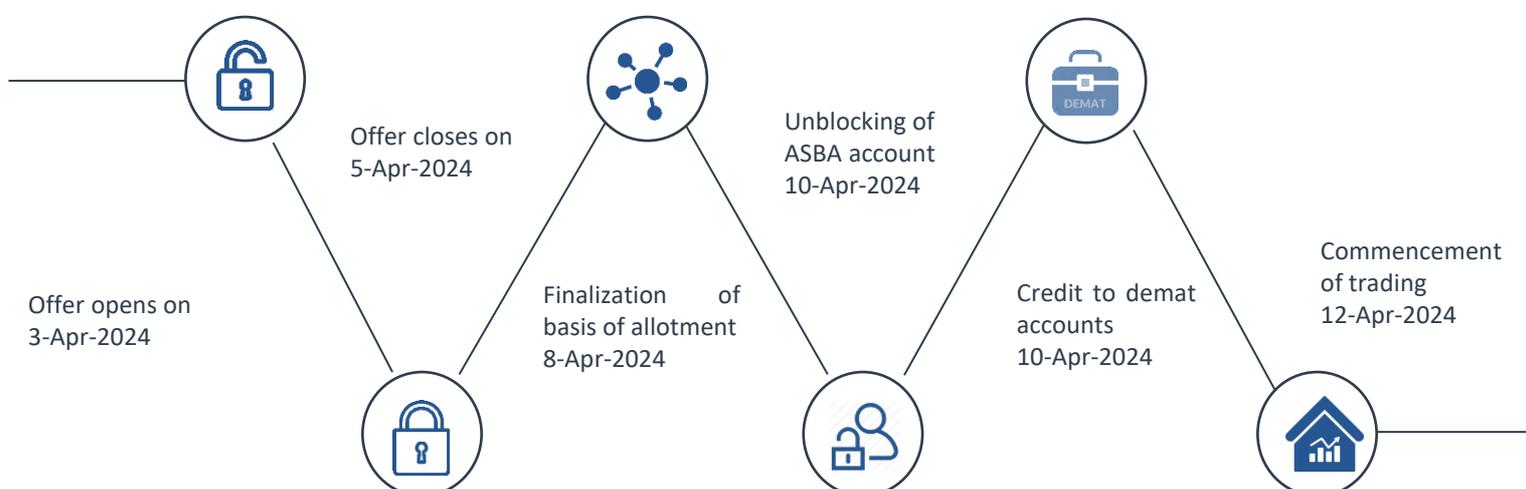
About the issue:

- BHL is coming up with an IPO with 7.5cr shares (fresh issue: nil; OFS shares: 7.5cr shares) in offering. This offer represents 15% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 4,065 - 4,275cr.
- The issue is through book building process with a price band of Rs. 542 - 570 per share.
- Lot size comprises of 26 equity shares and in-multiple of 26 shares thereafter.
- The issue will open on 3rd Apr. 2024 and close on 5th Apr. 2024.
- The IPO only consists of OFS portion. Thus, the company will not receive any proceeds from the IPO.
- Telecommunications Consultants India Ltd. (TCIL), a sole public (non-promoter group) shareholder and a Government of India owned entity is participating in the OFS issue and offloading 7.5cr shares. However, post-IPO, the shareholding between the promoter & promoter group and public will remain unchanged to 70% and 30%, respectively.
- As per the DRHP filed with the SEBI, TCIL initially planned to sell up-to 10cr equity shares.
- 75% of the net issue is reserved for qualified institutional buyers, while 15% and 10% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	70.00%	70.00%
Public	30.00%	30.00%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-23: BHL has reported a solid business growth, mainly on account of aggressive tariff hikes. This has resulted in a drastic improvement in the operating margins, but net earnings were volatile largely on account of exceptional gains & (losses).

The company reported a 19.6% CAGR rise in the total operating revenue to Rs. 6,579cr in FY23. The Mobility services segment reported a 19.2% CAGR increase in business, while generating around 98.5% of the gross revenue. Growth in the Mobility services segment was backed largely by around 17% CAGR rise in the ARPU. With 76.9% CAGR growth in the subscriber base, the Broadband services segment reported a 46.1% rise in the business. Broadband ARPU declined by 12.1% CAGR during the period.

Total operating expenditure increased by 3.4% CAGR (a rate lower than the top-line growth), thereby resulting in a 19ppts expansion in operating (EBITDA) margin. During FY21-23, EBITDA increased by 62.7% CAGR to Rs. 2,785.7cr in FY23.

With expansion in the business, depreciation & amortization increased by 9.9% CAGR, whereas, higher financial liabilities led to 11.2% CAGR rise in finance costs. The company reported an exception loss of Rs. 341.7cr (on account of license fee & spectrum usage charges, re-assignment/ re-validation of microwave access/backbone carriers, rates & taxes, etc.) in FY21 and an exceptional gain of Rs. 1,951.1cr (mainly on account of a commercial settlement with a service provider and a strategic vendor). As a result, it reported a net loss of Rs. 1,033.9cr in FY21 and net profit of Rs. 1,674.6cr in FY22 and Rs. 549.2cr in FY23. Adjusted PAT (excluding exceptional gains/(losses)) was in red in FY21 and FY22, while positive (Rs. 549.2cr) in FY23.

BHL reported positive operating cash flows during the period, which increased by 83.5% CAGR. Average operating cash flow stood at Rs. 2,628cr. Total consolidated financial liabilities increased by 8% CAGR, however, with improved profitability, debt-to-equity ratio improved from 4.4x in FY21 to 2.4x in FY23. Pre-issue RoIC and RoE stood at 8.1% and 13%, respectively, in FY23.

Performance during H1 FY24: With 7.1% and 5.1% Y-o-Y rise in the mobility tariffs and subscriber base, BHL reported a 7.7% Y-o-Y increase in total operating revenue, which stood at Rs. 5,220.8cr. EBITDA and adjusted PAT margin expanded by around 6ppts and 4ppts, respectively, to 47.6% and 11.2%.

On TTM basis, top-line stood at Rs. 6,953.3cr with EBITDA and PAT margin of 46.8% and 11.3%, respectively.

Pre-issue financial snapshot (Rs. cr)	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Y-o-Y (FY23 annual)	Y-o-Y (9M ended)
Mobile services customer base (cr)	2,498	2,477	2,583	2,548	2,678	2,678	1.7%	4.3%	5.1%
Calculated ARPU per month (Rs.)	140.0	165.4	192.5	191.4	195.2	195.5	17.3%	16.4%	2.0%
Mobile services	4,545.1	5,324.1	6,462.4	4,755.2	5,097.9	6,805.1	19.2%	21.4%	7.2%
Homes & office services	72.3	107.6	154.3	111.1	151.2	194.4	46.1%	43.4%	36.1%
Revenue from operations	4,602.3	5,405.2	6,579.0	4,846.5	5,220.8	6,953.3	19.6%	21.7%	7.7%
EBITDA	1,052.4	1,814.0	2,785.7	2,015.7	2,483.4	3,253.4	62.7%	53.6%	23.2%
Reported PAT	(1,033.9)	1,674.6	549.2	347.3	281.8	483.7		-67.2%	-18.9%
Adjusted PAT	(692.2)	(276.5)	549.2	347.3	584.8	786.7			68.4%
Restated adjusted EPS	(13.8)	(5.5)	11.0	6.9	11.7	15.7			68.4%
Cash flow from operating activities	1,517.2	1,258.0	5,108.4	4,353.0	2,930.3	3,685.7	83.5%	306.1%	-32.7%
NOPLAT	(311.9)	339.3	922.4	642.1	545.2	855.9		171.9%	-15.1%
FCF	(2,089.2)	(2,849.6)	1,082.4		964.1	649.7			
RoIC	-6.3%	4.2%	8.1%	5.5%	4.5%	7.0%	1,441 bps	392 bps	(100) bps
Revenue growth rate	18.8%	17.4%	21.7%		7.7%				
EBITDA growth rate	121.7%	72.4%	53.6%		23.2%				
EBITDA margin	22.9%	33.6%	42.3%	41.6%	47.6%	46.8%	1,948 bps	878 bps	598 bps
Restated adjusted PAT growth rate	30.8%	-60.1%	-298.6%		68.4%				
Restated adjusted PAT margin	-15.0%	-5.1%	8.3%	7.2%	11.2%	11.3%	2,339 bps	1,346 bps	404 bps
Trade receivables days	14.7	75.6	62.3	8.2	12.0	12.2	105.7%	-17.6%	45.9%
Trade payables days	(161.1)	(125.6)	(81.4)	(89.2)	(84.5)	(85.8)	-28.9%	-35.1%	-5.2%
Cash conversion cycle	(146.3)	(50.0)	(19.2)	(81.0)	(72.6)	(73.7)	-63.8%	-61.6%	-10.4%
Fixed asset turnover ratio	0.4	0.5	0.5	0.4	0.4	0.5	6.4%	-4.4%	-1.2%
Total asset turnover ratio	0.3	0.3	0.4	0.3	0.3	0.4	8.4%	11.2%	-1.4%
Current ratio	0.3	0.7	0.6	0.7	0.7	0.7	52.4%	-3.4%	-7.3%
Total debt	8,777.2	9,444.7	10,229.7	10,051.7	10,512.1	10,512.1	8.0%	8.3%	4.6%
Net debt	8,718.0	9,274.8	9,095.0	8,954.0	8,617.4	8,617.4	2.1%	-1.9%	-3.8%
Debt to equity	4.4	2.6	2.4	2.5	2.4	2.4	-25.8%	-5.8%	-5.1%
Net debt to EBITDA	8.3	5.1	3.3	4.4	3.5	2.6	-37.2%	-36.1%	-21.9%
RoE	-34.9%	-7.6%	13.0%	8.7%	13.2%	17.8%	4,790 bps	2,060 bps	458 bps
RoA	-4.6%	-1.7%	3.0%	1.9%	3.0%	4.0%	762 bps	467 bps	105 bps
RoCE	-3.1%	3.6%	9.8%	6.6%	9.8%	12.9%	1,296 bps	624 bps	321 bps

Note: Pre-IPO financials; Source: Choice Equity Broking

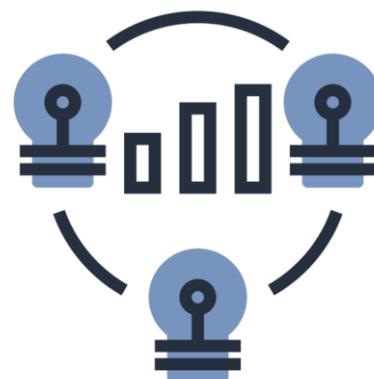


Competitive strengths:

- Established leadership and large customer base in the area of operations
- Presence in markets with high growth potential
- Strong parentage and established brand
- Building a future ready network
- Extensive distribution and service network
- Experienced management team

Business strategy:

- Grow revenue by focusing on acquiring and retaining quality customers
- Expand network coverage
- Deliver brilliant customer experience through an omni-channel approach and extensive use of data science
- Improve cost efficiencies



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable outcome towards One Time Spectrum Charges
- Geographical revenue concentration risk
- Capital intensive operations
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Profit and loss statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Revenue from operations	4,602.3	5,405.2	6,579.0	4,846.5	5,220.8	6,953.3	19.6%	21.7%
Network operating expenses	(1,427.9)	(1,486.2)	(1,586.3)	(1,179.2)	(1,228.5)	(1,635.6)	5.4%	6.7%
Access charges	(1,345.4)	(1,133.1)	(983.3)	(720.7)	(539.4)	(802.0)	-14.5%	-13.2%
License fees/Spectrum charges	(437.9)	(571.8)	(632.9)	(482.2)	(479.2)	(629.9)	20.2%	10.7%
Gross profit	1,391.1	2,214.1	3,376.5	2,464.4	2,973.7	3,885.8	55.8%	52.5%
Employee benefits expenses	(76.3)	(76.4)	(90.3)	(69.0)	(79.4)	(100.7)	8.8%	18.2%
Sales & marketing expenses	(141.0)	(199.3)	(306.7)	(226.8)	(279.5)	(359.4)	47.5%	53.9%
Other expenses	(121.4)	(124.4)	(193.8)	(152.9)	(131.4)	(172.3)	26.3%	55.8%
EBITDA	1,052.4	1,814.0	2,785.7	2,015.7	2,483.4	3,253.4	62.7%	53.6%
Depreciation and amortization expenses	(1,285.2)	(1,441.0)	(1,553.3)	(1,158.4)	(1,279.4)	(1,674.3)	9.9%	7.8%
EBIT	(232.8)	373.0	1,232.4	857.3	1,204.0	1,579.1		230.4%
Finance costs	(516.6)	(571.8)	(638.8)	(489.5)	(478.7)	(628.0)	11.2%	11.7%
Other income	102.0	88.8	140.2	95.9	200.0	244.3	17.2%	57.9%
Exceptional items	(341.7)	1,951.1			(303.0)	(303.0)		
PBT	(989.1)	1,841.1	733.8	463.7	622.3	892.4		-60.1%
Tax expenses	(44.8)	(166.5)	(184.6)	(116.4)	(340.5)	(408.7)	103.0%	10.9%
Reported PAT	(1,033.9)	1,674.6	549.2	347.3	281.8	483.7		-67.2%
Adjusted PAT	(692.2)	(276.5)	549.2	347.3	584.8	786.7		

Balance sheet statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Equity share capital	250.0	250.0	250.0	250.0	250.0	250.0	0.0%	0.0%
Other equity	1,736.0	3,410.5	3,959.5	3,757.5	4,166.1	4,166.1	51.0%	16.1%
Non-current borrowings	3,723.9	4,807.8	6,266.2	7,022.9	6,233.5	6,233.5	29.7%	30.3%
Non-current lease liabilities	1,311.9	1,530.3	2,545.1	2,332.4	2,763.5	2,763.5	39.3%	66.3%
Other non-current financial liabilities	0.3	0.3		79.2	78.7	78.7		
Non-current deferred revenue	503.0	474.6	602.9	586.7	634.8	634.8	9.5%	27.0%
Non-current provisions	21.0	21.8	23.4	23.3	22.4	22.4	5.6%	7.3%
Trade payables	2,224.0	1,495.2	1,440.6	1,601.1	1,634.7	1,634.7	-19.5%	-3.7%
Current borrowings	2,251.3	2,390.5	3.1	(673.1)	19.5	19.5	-96.3%	-99.9%
Current lease liabilities	486.4	339.8	389.2	379.0	415.7	415.7	-10.5%	14.5%
Other current financial liabilities	1,003.4	376.0	1,026.1	911.3	1,001.2	1,001.2	1.1%	172.9%
Current deferred revenue	358.0	416.6	474.9	450.9	495.5	495.5	15.2%	14.0%
Current provisions	958.3	1,025.6	1,103.2	1,082.2	1,174.6	1,174.6	7.3%	7.6%
Net current tax liabilities	69.2	62.4	62.4	62.4	620.8	620.8	-5.0%	0.0%
Other current liabilities	106.8	72.9	106.3	68.1	92.0	92.0	-0.2%	45.8%
Total liabilities	15,003.5	16,674.3	18,252.9	17,933.9	19,603.0	19,603.0	10.3%	9.5%
Property, plant & equipments	3,905.4	3,840.0	4,070.8	3,991.1	4,263.2	4,263.2	2.1%	6.0%
Intangible assets	4,922.2	4,761.2	4,464.3	4,551.6	4,198.2	4,198.2	-4.8%	-6.2%
Capital work-in-progress	70.7	64.1	456.3	291.1	1,057.1	1,057.1	154.0%	611.9%
Intangible assets under development			1,479.7	1,456.7	1,549.0	1,549.0		
Right-of-use assets	1,476.1	1,632.4	2,639.0	2,436.7	2,806.6	2,806.6	33.7%	61.7%
Non-current investments						0.0		
Other non-current financial assets	432.4	446.3	529.0	525.7	479.4	479.4	10.6%	18.5%
Net income tax assets	294.6	305.2	324.9	318.7	203.8	203.8	5.0%	6.5%
Net deferred tax assets	1,116.6	947.4	762.9	831.2	808.9	808.9	-17.3%	-19.5%
Other non-current assets	766.0	655.4	628.4	670.1	510.6	510.6	-9.4%	-4.1%
Trade receivables	142.9	2,095.8	148.9	147.4	231.6	231.6	2.1%	-92.9%
Current investments		49.0	1,046.0	1,031.1	1,835.8	1,835.8		2034.7%
Cash & cash equivalents	59.2	120.9	88.7	66.6	58.9	58.9	22.4%	-26.6%
Other current financial assets	798.8	878.7	911.9	896.1	974.3	974.3	6.8%	3.8%
Other current assets	1,018.6	877.9	702.1	719.8	625.6	625.6	-17.0%	-20.0%
Total assets	15,003.5	16,674.3	18,252.9	17,933.9	19,603.0	19,603.0	10.3%	9.5%

Source: Choice Equity Broking

Financial statements (Contd...):

Cash flow statement (Rs. cr)								
	FY21	FY22	FY23	9M FY23	9M FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	1,151.5	3,871.6	2,930.1	2,130.0	2,586.0	3,386.1	59.5%	-24.3%
Working capital changes	399.2	(2,598.8)	2,198.0	2,236.6	348.8	310.2	134.6%	
Cash flow from operating activities	1,517.2	1,258.0	5,108.4	4,353.0	2,930.3	3,685.7	83.5%	306.1%
Purchase of fixed assets and CWIP	(1,456.9)	(1,348.7)	(944.8)	(612.1)	(1,567.4)	(1,900.1)	-19.5%	-29.9%
Cash flow from investing activities	(882.5)	(1,382.5)	(2,030.9)	(1,700.9)	(2,275.6)	(2,605.6)	51.7%	46.9%
Cash flow from financing activities	(604.2)	183.1	(3,111.4)	(2,704.7)	(682.4)	(1,089.1)	126.9%	
Net cash flow	30.5	58.6	(33.9)	(52.6)	(27.7)	(9.0)		
Opening balance of cash	(2.8)	27.7	86.3	86.3	52.4	33.7		211.6%
Closing balance of cash	27.7	86.3	52.4	33.7	24.7	24.7	37.5%	-39.3%

Financial ratios						
Particulars	FY21	FY22	FY23	9M FY23	9M FY24	TTM
Profitability ratios						
Revenue growth rate	18.8%	17.4%	21.7%		7.7%	
EBITDA growth rate	121.7%	72.4%	53.6%		23.2%	
EBITDA margin	22.9%	33.6%	42.3%	41.6%	47.6%	46.8%
EBIT growth rate	-70.0%	-260.2%	230.4%		40.4%	
EBIT margin	-5.1%	6.9%	18.7%	17.7%	23.1%	22.7%
Restated adjusted PAT growth rate	30.8%	-60.1%	-298.6%		68.4%	
Restated adjusted PAT margin	-15.0%	-5.1%	8.3%	7.2%	11.2%	11.3%
Turnover ratios						
Trade receivable turnover ratio	24.8	4.8	5.9	32.9	22.5	30.0
Accounts payable turnover ratio	2.3	2.9	4.5	3.0	3.2	4.3
Fixed asset turnover ratio	0.4	0.5	0.5	0.4	0.4	0.5
Total asset turnover ratio	0.3	0.3	0.4	0.3	0.3	0.4
Return ratios						
RoIC (%)	-6.3%	4.2%	8.1%	5.5%	4.5%	7.0%
RoE (%)	-34.9%	-7.6%	13.0%	8.7%	13.2%	17.8%
RoA (%)	-4.6%	-1.7%	3.0%	1.9%	3.0%	4.0%
RoCE (%)	-3.1%	3.6%	9.8%	6.6%	9.8%	12.9%
Per share data						
Restated adjusted EPS (Rs.)	(13.8)	(5.5)	11.0	6.9	11.7	15.7
DPS (Rs.)	0.0	0.0	0.0	0.0	1.5	1.5
BVPS (Rs.)	39.7	73.2	84.2	80.2	88.3	88.3
Operating cash flow per share (Rs.)	30.3	25.2	102.2	87.1	58.6	73.7
Free cash flow per share (Rs.)	(41.8)	(57.0)	21.6		19.3	13.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	12.8%	9.5%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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Compliance Officer: Prashant Saliang; Tel. No. 022-6707-9999; Ext. 2310; email-id: compliance@choiceindia.com

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