

IPO NOTE
Issue Details
Price Band: ₹ 542 to ₹ 570
Issue Opens on: April 03, 2024
Issue Closes on: April 05, 2024
Lot Size: 26 Shares & in Multiples thereafter
Issue Highlights
Issue Size: ₹ 4,275 Cr.
No of Shares: 75,000,000
Face Value: ₹ 5
Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	4,275
Total	4,275

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	3,206.25
HNI	15	641.25
Retail	35	427.50
Total	100	4,275.00

Listing
BSE & NSE
Lead Managers

- SBI Capital Markets Limited
- Axis Capital Limited
- ICICI Securities Limited
- BOB Capital Markets Limited
- IIFL Securities Limited

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COMPANY OVERVIEW

Bharti Hexacom is 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. It offer services under the brand 'Airtel'. They have a distinct strategy to premiumise portfolio by acquiring and retaining quality customers and deliver an experience to them through their omnichannel approach and use of data science.

The company has a gamut of digital offerings to enhance customer engagement and differentiated customised offerings through family and converged plans under Airtel Black proposition, which has resulted in the continuous improvement of their revenue market share during the last three Fiscals. As of December 31, 2023, they had invested ₹ 206 billion in capital expenditure in their future ready digital infrastructure.

The company was at number one position in the North East circle during the nine months ended December 31, 2023 and Fiscals 2023 and 2022. They have been able to consistently increase 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. As of December 31, 2023, their distribution network comprised 616 distributors and 89,454 retail touchpoints. The Government of India through Telecommunications Consultants India Limited ("TCIL") owns 30% of the company's outstanding equity share capital.

HIGHLIGHTS

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

OBJECTS OF THE ISSUE

1. To carry out the Offer for Sale of up to 11,756,910 by the Selling Shareholders.
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges. The company will not receive any proceeds from Offer for sale.

OUR VIEW

Incorporated in 1995, Bharti Hexacom Limited (BHL) provides fixed-line telephone and broadband services to customers in Rajasthan and North East telecom circles in India. As of December 31, 2023, the company had 19,144 thousand data customers, out of which 18,839 thousand were 4G and 5G customers. Airtel owns 70% of BHL's outstanding equity share capital, as of the date of this Red Herring Prospectus.

The offerings are primarily focused in state of Rajasthan and North East, a major part of business remains concentrated in these areas. The company has high level of debts but the management claims the situation is still comfortable. The company operates in a highly competitive space with giant players like Reliance Jio Infocomm Limited, Vodafone Idea limited etc also having a very strong foothold in the market.

The revenue CAGR for the period FY21-23 stood at about 19.56%. The company operated on an EBITDA margin of 43.9% and PAT margin of 8.35% for year ended FY23. The number was 49.35% and 5.4% respectively for 9MFY24. Generating ROCE and ROE of 10.72% and 13.83% respectively for FY23. The issue is priced at a P/BV of 6.45 based on its NAV of Rs. 88.32 as of Dec. 31, and is asking for a PE multiple of 51.91x on the upper end of the price band and using diluted EPS for FY23 (₹ 10.98) and a PE of 75.8x annualizing diluted EPS for 9MFY24 (₹ 5.64). The industry average is 40.27x.

The company prima facie looks overvalued and expensive. Looking at all the factors, risks, opportunities and valuation, we have a neutral view for the company.

Brief Financials

PARTICULARS	As at December 31, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	54,208	67,192	54,940	47,043
Total Expenditure	27,374	37,933	35,912	35,499
EBITDA	25,764	28,884	18,985	11,373
Profit before Tax	6,223	7,338	18,411	(9,891)
Profit after Tax	2,818	5,492	16,746	(10,339)
E.P.S. (Diluted)	5.64*	10.98	33.49	(20.68)
P/E (x) (Diluted)	-	51.91	-	-
RONW (%)	7.08*	13.83	46.87	54.45

* Not Annualised

PRICE CHART (@ ₹ 570) (Retail Category)

LOT SIZE	Amount
26	14,820
52	29,640
78	44,460
104	59,280
130	74,100
156	88,920
182	103,740
208	118,560
234	133,380
260	148,200
286	163,020
312	177,840
338	192,660

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount(Rs.)
Small HNI	364	207,480
Big HNI	1,768	1,007,760

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	08/04/2024
Initiation of refunds/unblocking ASBA Fund	10/04/2024
Credit of Equity Shares to demat accounts of Allottees	10/04/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	12/04/2024

For more details, Please refer RHP,

https://www.sebi.gov.in/filings/public-issues/mar-2024/bharti-hexacom-limited-rhp_82540.html



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