

Vodafone Idea

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Bloomberg	IDEA IN
Equity Shares (m)	28,735
M.Cap.(INRb)/(USDb)	252.9 / 3.4
52-Week Range (INR)	14 / 7
1, 6, 12 Rel. Per (%)	-1/-31/-59
12M Avg Val (INR M)	3917

Financials & Valuations (INR b)

INR Billion	FY21	FY22E	FY23E
Net Sales	420	398	458
EBITDA	169	178	221
Adj. PAT	-243	-247	-232
EBITDA Margin (%)	40.4	44.6	48.4
Adj. EPS (INR)	-8.4	-8.6	-8.1
EPS Gr. (%)	11.7	1.6	-6.1
BV/Sh. (INR)	-13.3	-21.9	-29.9
Ratios	0	0	0
Net D:E	-4.3	-2.8	-2.2
RoE (%)	150.5	48.8	31.1
RoCE (%)	-5.5	-4.0	-1.9
Payout (%)	0.0	0.0	0.0
Valuations	0	0	0
EV/EBITDA (x)	11.4	11.5	9.9
P/E (x)	-1.2	-1.2	-1.2
P/B (x)	-0.8	-0.5	0.0
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	5.8	3.9	2.1

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	72.1	72.1	72.1
DII	1.1	1.4	6.0
FII	4.6	6.1	8.8
Others	22.3	20.5	13.1

FII Includes depository receipts

CMP: INR9 TP:INR9 (+2%) Neutral

Liquidity a major concern; fund raise awaited

- VIL posted an adjusted EBITDA of INR17.1b (excluding an INR4.5b one-off on a pre Ind AS 116 basis), down 5% QoQ (16% miss) on continuing subscriber churn and weak ARPU.
- Upcoming debt repayments of INR60b in FY22 and INR82b deferred spectrum payments require an immediate liquidity support. EBITDA (pre Ind AS 116) of INR88b in FY22E makes it challenging to service its net debt of INR1,190b (excluding AGR and lease liability) and invest in its network. We maintain our **Neutral** rating.

Adjusted EBITDA fell 5% QoQ to INR17.1b; subscriber loss slows down

- Revenue fell 11.8% QoQ to INR96.1b (in line), led by an 11.6% decline in ARPU to INR107. Subscriber base declined marginally (0.7%) QoQ. The management attributed the steep decline to: a) 9.6% impact on abolishment of IUC, effective 1st Jan'21, and b) 2.2% impact due to lower number of days in 4QFY21. Adjusted for the same, revenue was flat QoQ.
- Reported EBITDA grew 2.9% to INR44.1b (4.2% beat) as SG&A fell 32% QoQ. Excluding a one-off expense of INR4.5b related to network and IT cost, adjusted EBITDA stood at INR17.1b. This is 5% lower QoQ, factoring the INR3b one-off in 3QFY21.
- Net loss stood at INR70b v/s INR45b in 3QFY21. Adjusted net loss (for exceptional items) stood at INR60.5b (in line) on a post Ind AS 116 basis v/s a loss of INR62.3b in 3QFY21.
- VIL lost 2m subscribers in 4QFY21 (-0.7% QoQ), taking its total count to 269.8m. This is similar to 3QFY21 as against an 8m/11m decline in 2Q/1Q. Active subscribers continued to decline, though at a much lower pace (0.9m) to 255.7. This is much lower than the cumulative loss of 37m in 9MFY21. Gross additions improved further to 6m, after turning positive (4.2m) in 3QFY21, though the churn has increased to 3% v/s 2.3% QoQ.
- 4G subscribers rose by 4.2m v/s 3.6m in 3QFY21, taking its total count to 113.9m. This is better, but far off from Bharti/RJio's additions of 13.7m/15.4m. The increase was mainly from a shift in 3G subscribers as overall data/broadband subscribers were flat. **Broadband subscribers increased by 2.8m v/s 1m in 3QFY21.**
- ARPU fell by 11.6% QoQ to INR107 due to an IUC impact. Adjusted for the same, ARPU was broadly flat. Bharti's ARPU fell 1% QoQ to INR145.
- Capex spend in 4Q rose to INR15.4b v/s INR9.7b in 3QFY21. Total capex spend in FY21 stands at INR41.5b v/s INR197b for Bharti (~5x higher).
- Net debt stood at INR1,799.6b, with a cash balance of a mere INR3.5b. Gross debt (excluding lease liabilities) stood at INR1,803.1b. Of this, deferred spectrum debt is INR962.7b, AGR liability at INR609.6b, and bank debt at INR230.8b.

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Highlights from the management commentary

- **Tariff hike:** VIL feels floor pricing is the best way to fix pricing issues in the sector. The new plans by all telcos is a step towards rationalizing pricing.
- **Network management:** It is focusing on investments in 16 priority circles, which constitute 94% of revenue. It is re-farming its 3G spectrum to debottleneck its network.
- **Liquidity management:** Out of total tax refunds of INR83b, INR15b has been received. It expects INR30b in FY22. This, along with a divestment of surplus land, will be utilized to manage liquidity.

Valuation and view

- Upcoming debt repayments of INR60b in FY22 and INR82b in deferred spectrum payments require immediate liquidity support. EBITDA (pre Ind AS 116) of INR88b in FY22E makes it challenging to service its net debt of INR1,190b (excluding AGR and lease liability) and invest in its network.
- The management said it is in discussion with potential investors for the INR250b fund raise, but the timeline remains unclear.
- Continued subscriber churn has diluted the benefits of previous tariff hikes. It saw an ARPU improvement of 13% (over 2QFY20-3QFY21) v/s industry wide price hikes of ~25%.
- VIL's weak liquidity position restricts its capability to invest in network improvement, as evident from its reducing capex intensity.
- The only silver lining is that gross subscriber additions have continuously picked up in the last couple of quarters to 6m from -1m. 4G subscriber additions have improved.
- Our workings indicate that VIL needs to double its ARPU to service its debt in FY22E/FY23E, assuming no further subscriber churn.
- The significant amount of cash required to service its debt, leaves limited upside opportunity for equity holders, despite the high operating leverage opportunity from any ARPU increase. The current low EBITDA would make it challenging to service debt without an external fund infusion. Assuming 8x EV/EBITDA, with a net debt of INR1,190b (excluding lease liability and AGR debt), it leaves limited opportunities for VIL's equity shareholders. We maintain our **Neutral** rating.

Consolidated quarterly earnings model

(INR m)

Y/E March	FY20				FY21				FY20	FY21	4Q FY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	1,12,699	1,08,440	1,10,894	1,17,542	1,06,593	1,07,912	1,08,941	96,076	4,49,575	4,19,522	96,905	12.4
YoY Change (%)	91.4	41.5	-5.7	-0.2	-5.4	-0.5	-1.8	-18.3	21.2	-6.7	-12.6	
Total Expenditure	76,199	74,969	76,689	73,741	65,609	66,388	66,079	51,989	3,00,450	2,50,065	54,580	21.1
EBITDA	36,500	33,471	34,205	43,801	40,984	41,524	42,862	44,087	1,49,125	1,69,457	42,325	1.3
YoY Change (%)	453.5	625.4	200.9	145.3	12.3	24.1	25.3	0.7	268.8	13.6	23.7	7
Depreciation	61,308	63,094	58,774	60,388	59,757	60,286	58,241	58,101	2,43,564	2,36,385	58,512	-0.5
Share in Profits from Associates	581	1,295	999	678	889	857	570	-2	3,553	2,314	581	-2.0
Net Finance Costs	34,441	33,519	34,311	40,108	37,486	46,609	47,480	46,664	1,43,527	1,78,239	47,480	0.0
PBT before EO expense	-58,668	-61,847	-57,881	-56,017	-55,370	-64,514	-62,289	-60,680	-2,34,413	-2,42,853	-63,086	-1.3
Extra-Ord. expense	8,070	3,07,745	6,333	61,409	1,99,232	7,671	-16,965	9,743	3,83,557	1,99,681	0	NM
PBT	-66,738	-3,69,592	-64,214	-1,17,426	-2,54,602	-72,185	-45,324	-70,423	-6,17,970	-4,42,534	-63,086	-28.2
Tax	-17,999	1,39,627	174	-991	-2	-3	-3	-195	1,20,811	-203	8	-137.5
Rate (%)	27.0	-37.8	-0.3	0.8	0.0	0.0	0.0	0.3	-19.5	0.0	0.0	-152
Reported PAT	-48,739	-5,09,219	-64,388	-1,16,435	-2,54,600	-72,182	-45,321	-70,228	-7,38,781	-4,42,331	-63,094	-28.2
Adjusted PAT	-42,340	-61,848	-58,055	-55,026	-55,368	-64,511	-62,286	-60,485	-2,17,269	-2,42,650	-63,094	-1.3
YoY Change (%)	195.4	38.9	-6.4	35.6	30.8	4.3	7.3	9.9	34.5	11.7	8.7	

E: MOFSL estimates

Key performance indicators

Y/E March	FY20				FY21				FY20	FY21	4Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Blended ARPU (INR)	108	107	109	121	114	119	121	107	111	125	109
Subscriber Base (m)	320	311	304	291	280	272	270	268	291	268	270
Data subscribers (m)	143	140	142	140	136	138	138	140	140	140	160
Data usage/subscriber (MB)	7417	8209	8951	9687	10956	10591	10878	11666	8511	10861	11676
EBITDA Margin (%)	32.4	30.9	30.8	37.3	38.4	38.5	39.3	45.9	33.2	40.4	43.7
EBIT Margin (%)	-22.0	-27.3	-22.2	-14.1	-17.6	-17.4	-14.1	-14.6	-21.0	-16.0	-19.9
Adj. PAT Margin (%)	-37.6	-57.0	-52.4	-46.8	-51.9	-59.8	-57.2	-63.0	-48.3	-57.8	-65.1

E: MOFSL estimates

Exhibit 1: ARPU hike requirement for VIL (INR b)

(Amount in INR b)	Without funding	With funding
	FY22	FY22
Capex	40	40
Cash Interest	25	25
Bank debt repayment	60	60
Deferred spectrum liability	165	165
AGR payment/year (20 years)	66	66
Total EBITDA requirement	357	107
EBITDA (pre Ind AS 116)	88	88
Incremental EBITDA required	269	19
Incremental revenue required	413	29
ARPU (INR)	111	111
Subscribers (m)	271	271
ARPU hike required (INR)	127	9
New ARPU (INR)	238	120
Increase in ARPU required (%)	114%	8%
Funding		250

S Source: MOFSL, Company

Exhibit 2: Debt and Cash Flow reconciliation (INR m)

Debt reconciliation (INR m)	4QFY21
EBITDA (as per Ind AS 116)	21,687
Net debt increase	19,600
Total cash inflow	41,287
Capex	15,400
Spectrum upfront payment (auction)	5,747
Net interest paid	20,140
Bank debt (excluding government)	2,30,800
Interest cost	8.7%

Source: MOFSL, Company

Exhibit 3: Debt break up

Particulars (INR b)	FY21
Gross debt	1,803.1
Spectrum debt	962.7
AGR debt	609.6
Debt (excluding government)	230.8
Gross debt (excluding AGR)	1,193.5
Cash	3.5
Net debt	1,799.6

Source: MOFSL, Company

Exhibit 4: Principal/interest repayment of listed unsecured NCDs for FY22

	Principal amount	Previous due date		Next due date		FY22		
		Principal	Interest	Principal	Interest	Principal	Interest	Total
Unsecured 7.57% NCDs	15,000	N.A	14 th Dec'20	13 th Dec'21	13 th Dec'21	15,000	1135.5	16,136
Unsecured 7.77% NCDs	10,000	N.A	4 th Jan'21	4 th Jan'22	4 th Jan'22	10,000	777	10,777
Unsecured 7.77% NCDs	5,000	N.A	18 th Jan'21	17 th Jan'22	17 th Jan'22	5,000	388.5	5,389
Unsecured 8.04% NCDs	20,000	N.A	27 th Jan'21	27 th Jan'22	27 th Jan'22	20,000	1608	21,608
Unsecured 8.03% NCDs	5,000	N.A	1 st Feb'21	31 st Jan'22	31 st Jan'22	5,000	401.5	5,402
Unsecured 8.03% NCDs	5,000	N.A	15 th Feb'21	14 th Feb'22	14 th Feb'22	5,000	401.5	5,402
Unsecured 10.90% NCDs	15,000	N.A	3 rd Sep'20	2 nd Sep'23	3 rd Sep'21			
Deferred spectrum payment				9 th Apr'22		82,117		
Total						60,000	4,712	64,712

Financials

- Revenue fell 11.8% QoQ to INR96.1b (in line), led by an 11.6% decline in ARPU to INR107. Subscriber base declined marginally (0.7%) QoQ. The management attributed the steep decline to: a.) 9.6% impact on account of abolishment of IUC, effective 1st Jan'21, and b) 2.2% impact due to lower number of days in 4QFY21. Adjusted for the same, revenue was flat QoQ.
- Net loss stood at INR70b v/s INR45b in 3QFY21. Adjusted net loss (for exceptional items) stood at INR60.5b (in line) on a post Ind AS 116 basis v/s INR62.3b in 3QFY21. VIL has recognized an exceptional loss of INR9.7b. Of this, INR7.2b/INR2b is towards brand impairment/provision for asset impairment and one-time spectrum charge of INR1.3b, partly offset by some INR8b gains.
- Capex spend rose to INR15.4b in 4Q v/s INR9.7b in 3QFY21. Total capex spends stands at INR41.5b in FY21 v/s INR197b for Bharti (~5x higher).

Operating metrics

- VIL lost 2m (-0.7% QoQ) subscribers in 4QFY21, taking its total subscriber count to 269.8m. This is similar to 3QFY21 as against an 8m/11m decline in 2Q/1Q. Active subscribers continued to decline at a slower pace (4.6m v/s 11.8m QoQ) to 256.6m.
 - Active subscribers continued to decline, though at a much lower pace (0.9m) to 255.7. This is much lower than the cumulative loss of 37m in 9MFY21.
 - Gross additions improved further to 6m, after turning positive (4.2m) in 3QFY21, though the churn has increased to 3% v/s 2.3% QoQ. Data traffic grew 3.4% QoQ to 4.5b GB. MOUs remained flat at 673 minutes. Data usage per subscriber stood at 10.9GB, up 2.7% QoQ. Bharti's data usage per subscriber stood at 16.8GB.
- It saw 2m data subscriber additions in 4QFY21 (v/s flat in 3Q), taking its total count to 139.9m. Broadband subscribers rose to 2.8m v/s 1m in 3QFY21.
 - 4G subscribers rose by 4.2m (v/s 3.6m in 3QFY21) to 113.9m. This is better, but far off from Bharti's 13.7m additions. RJio added 15.4m.
- ARPU fell 11.6% QoQ to INR107 due to an IUC impact. Adjusted for the same, ARPU was broadly flat. Bharti's ARPU was down 1% QoQ to INR145.

Management commentary

Capex and network investments

- During FY21, VIL added ~43,500 4G FDD sites, primarily through re-farming of 2G/3G spectrum, to expand its 4G coverage/capacity.
- Till date, VIL has deployed ~62,000 TDD sites, in addition to deployment of ~13,600 massive MIMO sites and ~12,600 small cells.
- With an addition of 16.6k sites, its broadband site count stood at 452,650 in FY21. 4G site additions stood at 47k, partly offset by a shutdown of over 30k 3G sites in FY21. Against this, Bharti's has 606k MBB sites (34% higher). It added 38k fresh sites in FY21.

Cost saving initiatives

- After successfully achieving targeted merger opex synergies of INR84b, VIL plans to achieve INR40b of annualized cost savings in CY21. Of this, it has achieved 65% as of 4QFY21 v/s ~50% QoQ.

Spectrum auction

- It acquired 23.6MHz of spectrum across 900MHz and 1800MHz bands for INR19.93b. It currently holds 1,768.4MHz spectrum across various frequency bands, of which 1,738.4MHz spectrum is liberalized and can be used towards deployment of any technology.

Fund raise

- The board in Sep'20 approved a fund raise of INR250b through a mix of debt and equity. The company is still in active discussion with potential investors.

Auditors raise concerns over VIL's ability to remain a 'going concern'

- The group has classified INR85,472m (net of waiver received) of non-current borrowings to current maturities for not meeting certain covenant clauses, with regard to specified financial ratios as of 31st Mar'21, under financial agreements.
- As a result of the rating downgrade, certain lenders had asked for an increase in interest rates and additional margin money/security against existing facilities.
- The group has also written to DoT for deferment of spectrum payment installment of INR82,117m payable on 9th Apr'22.

Exhibit 5: Valuation based on FY23E pre Ind AS 116

	Methodology	Driver (INRb)	Multiple (x)	Fair value (INR b)	Value/share (INR)
Consol. EBITDA	FY23E EV/EBITDA	132	11	1,448	50
Less: Net debt				1,191	41
Total Value (FY23E)				257	9
Shares o/s (b)				28.7	
CMP (INR)					9
Upside (%)					2

Source: MOFSL, Company



Key highlights from the management commentary

Key takeaways

- VIL plans to invest in 16 priority circles, which constitute 94% of revenue.
- **Spectrum re-farming:** The company is looking to re-farm its 3G network to 4G. During FY21, it closed 30,000 3G sites and added 43,500 4G FTD sites.
- **Cash inflow/realization:** VIL has received INR15b in tax refunds (out of INR83b). It also expects to realize ~INR30b from GST refunds and divest surplus land, which was previously allotted for a data center.

Network and investment

- **Focused investment:** VIL plans to invest in 16 priority circles, which constitute 94% of revenue, to ensure a superior customer experience and effectively utilize its capex.
- **Spectrum re-farming:** The company is looking to re-farm its 3G network to 4G. During FY21, it closed 30,000 3G sites and added 43,500 4G FTD sites.
- **5G readiness:** VIL has tested dynamic spectrum sharing between 5G and 4G technology using 4G equipment. It has also undertaken 5G spectrum testing in collaboration with Nokia and Ericson in Pune and Gandhinagar, respectively.

Financial highlights:

- **Revenue declined** by 11.8% QoQ to INR96.1b, due to: a) 9.6% impact on account of abolishment of IUC, effective 1st Jan'21, and b) 2.2% impact due to lower number of days in 4QFY21.
- **Cost savings:** VIL plans to achieve INR40b of annualized cost savings in CY21. Of this, the company has achieved 65% as of 4QFY21 v/s ~50% QoQ.

Business services:

- **Cloud and IoT services:** The company has launched integrated IoT solutions for enterprises. It will provide secure end-to-end IoT solutions, comprising of connectivity, hardware, network, applications, analytics, and security.
- **Security portal:** To meet the rise in demand for security solutions, the company has strengthened its security portfolio with the launch of VI Cloud Firewall.
- **Mobility solutions:** To power hybrid workplaces and provide seamless digital experiences, the company launched VI business class mobility solutions, which enables enterprises to strike a balance between business objectives and employee mobility.

Digital revenue streams

- **Partnership and collaboration:** VIL has partnered with Disney/Hotstar to improve its content portfolio in the entertainment/cricket segment. It has also collaborated with Hungama under a pay per use business model.
- The company aims to engage in partnerships with content providers to provide new and engaging content through its platform VI Movies.

Outlook

- **Tariff hike:** The management feels floor pricing is the best way to fix pricing issues in the sector. TRAI has already floated a consultation paper on floor pricing.
- **Fund raise:** The board in Sep'20 approved a fund raise of INR250b through a mix of debt and equity. VIL is still in active discussion with potential investors.
- **Subscribers:** The management is looking at a positive growth in subscribers, with improved traction in all areas.

Others

- **AGR dues:** VIL has filed a modification application in the Supreme Court for computational correction in AGR dues from DoT. It has recognized its AGR liability without taking into consideration any changes that will be made in the said application.
- **Spectrum auction:** It acquired 23.6MHz of spectrum across 900MHz and 1800MHz bands for INR19.93b. It now holds 1,768.4MHz spectrum across various frequency bands.
- **Moratorium extension:** It has filed a request with the government to extend the moratorium period for payment of installation charges due in Apr'22.

Exhibit 6: Consolidated performance (INR m)

Consolidated P&L (INR m)	4QFY20	3QFY21	4QFY21	YoY (%)	QoQ (%)	4QFY21E	Var. (%)
Revenue	1,17,542	1,08,941	96,076	-18.3	-11.8	96,905	-0.9
Operating expenses	73,741	66,079	51,989	-29.5	-21.3	54,580	-4.7
EBITDA	43,801	42,862	44,087	0.7	2.9	42,325	4.2
EBITDA margin (%)	37.3	39.3	45.9	862bps	654bps	43.7	221bps
EBITDA (pre Ind AS 116)	21,100	21,062	21,687	2.8	3.0	20,525	5.7
EBITDA margin (%) (pre Ind AS 116)	18.0	19.3	22.6	462bps	324bps	21.2	139bps
Depreciation and amortization	60,388	58,241	58,101	-3.8	-0.2	58,512	-0.7
EBIT	-16,587	-15,379	-14,014	-15.5	-8.9	-16,187	-13.4
EBIT margin (%)	-14.1	-14.1	-14.6	-47bps	-47bps	-16.7	-13bps
Net Finance Costs	40,108	47,480	46,664	16.3	-1.7	47,480	-1.7
Share of Associates	678	570	-2	-100.3	-100.4	581	-100.3
Profit before Tax	-56,017	-62,289	-60,680	8.3	NM	-63,086	-3.8
Exceptional item (gain)/loss	61,409	-16,965	9,743	NM	NM	0	NM
Tax	-991	-3	-195	-80.3	NM	8	-2537.5
Tax rate (%)	1.8	0.0	0.3	-147bps	32bps	0.0	-2611bps
Profit after Tax	-1,16,435	-45,321	-70,228	-39.7	NM	-63,094	11.3
Adj. Profit after Tax	-55,026	-62,286	-60,485	9.9	NM	-63,094	-4.1

Source: MOFSL, Company

Exhibit 7: Key operating metrics

	4QFY20	3QFY21	4QFY21	YoY	QoQ	4QFY21E	Var. (%)
Subscriber Base (m)	291.1	269.8	267.8	-8.0%	-0.7%	270.3	-0.9
VLR Subscribers (m)	293.7	256.6	255.7	-12.9%	-0.4%	0.0	
Net VLR Subscribers (m)	-3.9	-4.6	-0.9	-76.9%	-80.4%	0.0	
Pre-paid subscribers (%)	92.1%	92.3%	92.2%	0.1%	-0.1%	0.0%	
Blended ARPU (INR)	121	121	107	-11.6%	-11.6%	106.5	0.5
Voice metrics							
MOU (minutes/subscriber/month)	688	673	657	-4.5%	-2.4%	679.7	-3.3
ARPM (INR)	0.18	0.18	0.16	-7.4%	-9.4%	0.2	4.0
Blended churn	3.30%	2.3%	3.0%	-9.1%	30.4%	2.3%	
Data metrics							
Data subscribers (m)	139.5	137.6	139.9	0.3%	1.7%	148.6	-5.9
as a % of overall subscribers	47.9%	51.0%	52.2%	9.0%	2.4%	55.0%	
Broadband subscribers (m)	117.4	120.8	123.6	5.3%	2.3%	0.0	
4G subscribers	105.6	109.7	113.9	7.9%	3.8%	0.0	
Total Data traffic (m GB)	4,090	4,489	4,856	18.7%	8.2%	4,903.8	-1.0
Total Data traffic (m MB)	40,90,337	44,89,000	48,56,000	18.7%	8.2%	49,03,770	-1.0
Data usage/subscriber (MB)	9,687	10,878	11,666	20.4%	7.2%	11,422.4	2.1
Tower details							
Total Unique Towers (EoP)	1,85,544	1,80,226	1,80,484	-2.7%	0.1%	0.0	
Total Unique Broadband Towers (EoP)	1,62,380	1,64,257	1,65,409	1.9%	0.7%	0.0	
Total Broadband sites (3G+4G)	4,36,006	4,47,936	4,52,650	3.8%	1.1%	0	

Source: MOFSL, Company

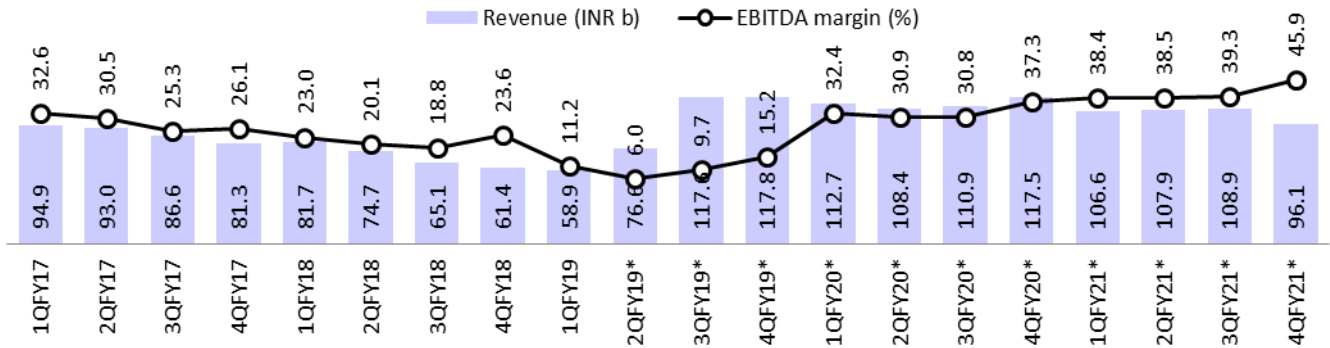
Exhibit 8: Summary of estimate change

	FY22E	FY23E
Revenue (INR b)		
Old	417	472
Actual/New	398	458
Change (%)	-4.5	-3.1
EBITDA (INR b)		
Old	187	226
Actual/New	178	221
Change (%)	-5.2	-2.0
EBITDA margin (%)		
Old	44.9	47.8
Actual/New	44.6	48.4
Change (bp)	-32bps	57bps
Net Profit (INR b)		
Old	-214	-194
Actual/New	-247	-232
Change (%)	-15.1	-19.3
Adj. EPS (INR)		
Old	-7.5	-6.8
Actual/New	-8.6	-8.1
Change (%)	-15.1	-19.3
ARPU (INR)		
Old	115	129
Actual/New	111	127
Change (%)	-3.1	-1.6
Subscribers (m)		
Old	274	280
Actual/New	271	277
Change (%)	-1.1	-1.1
MOU (minutes)		
Old	696	725
Actual/New	671	701
Change (%)	-3.5	-3.3
Data usage/subscriber (MB)		
Old	12,889	15,666
Actual/New	13,164	16,001
Change (%)	2.1	2.1
Mobile RPM (INR)		
Old	0.16	0.18
Actual/New	0.17	0.18
Change (%)	0.4	1.8
Data ARMB (INR)		
Old	0.00	0.00
Actual/New	0.00	0.00
Change (%)	10.8	18.0
Data revenue (INR b)		
Old	-87	-13
Actual/New	-92	-14
Change (%)	6.5	13.4

Source: Company, MOFSL

Story in charts

Exhibit 9: Consolidated revenue fell 11.8% QoQ; consolidated EBITDA margin at 45.9% (INR b, %)



Source: MOFSL, Company

Exhibit 10: ARPU declines by 11.6% QoQ to INR107

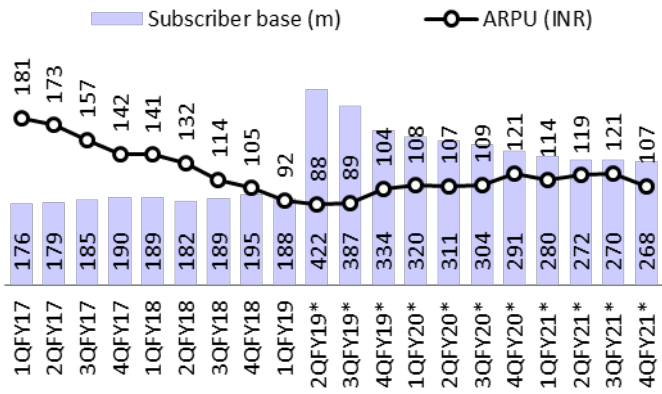


Exhibit 11: Monthly churn at 3%

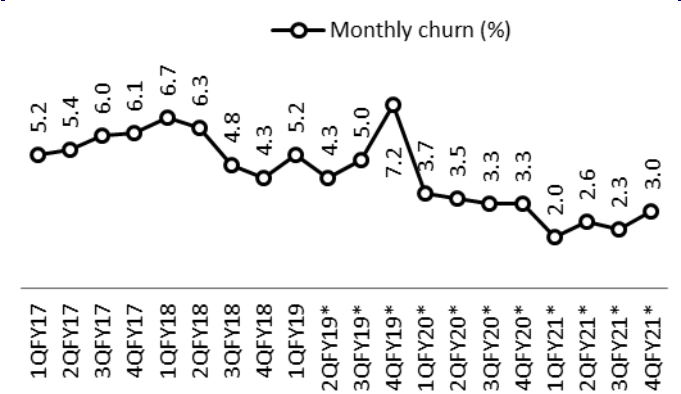


Exhibit 12: Voice traffic declines by 3.3% QoQ

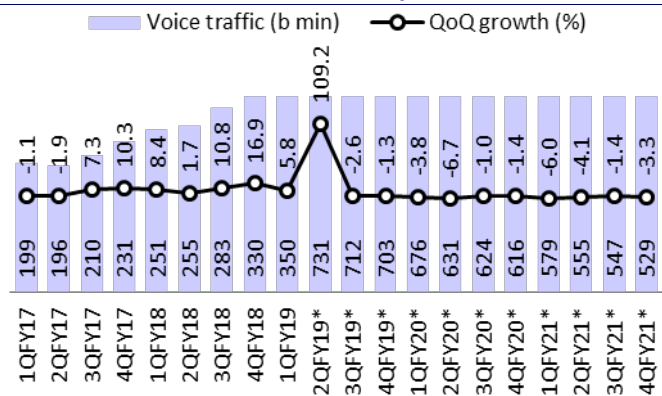
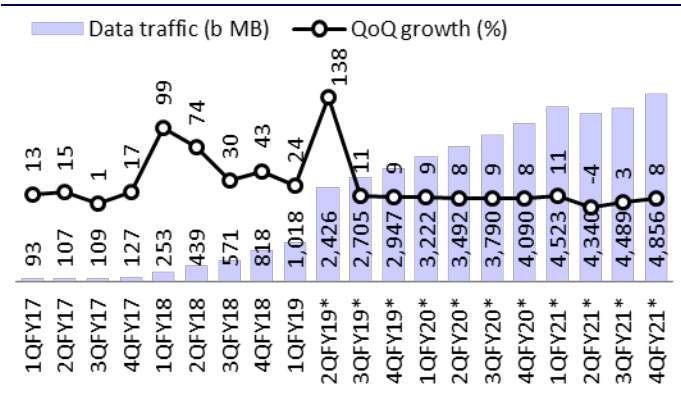


Exhibit 13: Data traffic rose 8% QoQ



Financials and valuations

Consolidated Income Statement										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	2,65,189	3,15,709	3,59,494	3,55,758	2,82,789	3,70,925	4,49,575	4,19,522	3,98,065	4,57,510
Change (%)	18.1	19.1	13.9	-1.0	-20.5	31.2	21.2	-6.7	-5.1	14.9
Total Expenditure	1,81,852	2,07,592	2,39,818	2,52,995	2,22,314	3,30,495	3,00,450	2,50,065	2,20,433	2,36,260
% of Sales	68.6	65.8	66.7	71.1	78.6	89.1	66.8	59.6	55.4	51.6
EBITDA	83,337	1,08,117	1,19,676	1,02,763	60,475	40,430	1,49,125	1,69,457	1,77,632	2,21,250
Margin (%)	31.4	34.2	33.3	28.9	21.4	10.9	33.2	40.4	44.6	48.4
Depreciation	45,194	53,036	62,561	78,272	84,091	1,45,356	2,43,564	2,36,385	2,34,047	2,49,883
EBIT	38,143	55,081	57,115	24,491	-23,616	-1,04,926	-94,439	-66,928	-56,415	-28,633
Int. and Finance Charges	7,700	5,755	18,831	37,342	44,600	87,317	1,43,527	1,78,239	1,90,128	2,02,878
PBT bef. EO Exp.	30,443	49,325	38,284	-12,851	-68,216	-1,92,243	-2,37,966	-2,45,167	-2,46,543	-2,31,510
Share of profits of associates	0	0	4,217	4,218	3,224	1,968	3,553	2,314	-8	-9
EO Items	0	0	0	0	0	-8,521	3,83,557	1,99,681	0	0
PBT after EO Exp.	30,443	49,325	42,501	-8,633	-64,992	-1,81,754	-6,17,970	-4,42,534	-2,46,551	-2,31,520
Total Tax	10,765	17,396	15,220	-4,636	-23,310	-35,715	1,20,811	-203	0	0
Tax Rate (%)	35.4	35.3	35.8	53.7	35.9	19.7	-19.5	0.0	0.0	0.0
Minority Interest	0	0	0	0	0	0	0	0	0	0
Reported PAT	19,678	31,929	27,281	-3,997	-41,682	-1,46,039	-7,38,781	-4,42,331	-2,46,551	-2,31,520
Adjusted PAT	19,678	31,929	24,574	-3,997	-41,682	-1,61,482	-2,17,269	-2,42,650	-2,46,551	-2,31,520
Change (%)	94.7	62.3	-14.6	-114.7	942.8	250.4	34.5	11.7	1.6	-6.1
Margin (%)	7.4	10.1	7.6	-1.1	-14.7	-43.5	-48.3	-57.8	-61.9	-50.6

Consolidated Balance Sheet										(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	33,196	35,978	36,005	36,053	43,593	87,356	2,87,354	2,87,354	2,87,354	2,87,354
Total Reserves	1,32,073	1,94,314	1,99,501	2,11,269	2,29,031	5,08,992	-2,27,555	-6,69,634	-9,16,185	-11,47,705
Net Worth	1,65,269	2,30,292	2,35,506	2,47,322	2,72,624	5,96,348	59,799	-3,82,280	-6,28,831	-8,60,351
Total Loans	2,06,350	2,68,591	4,05,413	5,50,545	5,79,851	10,85,236	11,05,883	16,59,627	21,90,088	23,41,594
Deferred Tax Liabilities	18,133	19,015	19,539	13,218	-11,393	-1,02,914	18	-1	-1	-1
Capital Employed	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	15,78,670	11,65,700	12,77,346	15,61,256	14,81,243
Gross Block	5,16,970	6,18,207	7,13,532	9,06,838	10,20,216	21,46,679	24,70,643	25,23,567	26,30,886	27,80,886
Less: Accum. Deprn.	2,21,012	2,62,871	61,692	1,39,267	2,23,358	3,68,714	6,12,278	8,48,663	10,82,710	13,32,593
Net Fixed Assets	2,95,958	3,55,336	6,51,840	7,67,571	7,96,858	17,77,965	18,58,365	16,74,904	15,48,176	14,48,293
Goodwill on Consolidation	61	61	61	61	61	36	0	0	0	0
Capital WIP	1,14,194	51,405	60,397	75,351	35,853	51,030	11,381	6,059	6,059	6,059
Total Investments	2,155	1,15,267	34,709	63,783	72,905	82,386	19,792	41	41	41
Curr. Assets, Loans, and Adv.	53,206	82,598	54,247	59,912	66,069	2,82,193	3,79,638	3,53,779	7,65,815	7,86,025
Inventory	683	710	1,065	588	367	42	25	6	15	17
Account Receivables	8,006	9,789	11,424	13,139	8,874	33,000	30,943	25,070	11,894	13,671
Cash and Bank Balance	1,881	15,537	7,691	827	291	9,908	26,591	22,165	4,41,492	4,35,554
Loans and Advances	42,636	56,562	34,067	45,358	56,537	2,39,243	3,22,079	3,06,538	3,12,414	3,36,783
Curr. Liability and Prov.	75,823	86,769	1,40,798	1,55,592	1,30,664	6,14,940	11,03,476	7,57,437	7,58,835	7,59,174
Account Payables	68,960	78,013	1,36,418	1,51,551	1,27,333	6,11,094	10,99,562	7,56,563	7,56,563	7,56,563
Provisions	6,863	8,756	4,380	4,041	3,331	3,846	3,914	874	2,272	2,611
Net Current Assets	-22,616	-4,171	-86,550	-95,681	-64,595	-3,32,747	-7,23,838	-4,03,658	6,980	26,849
Appl. of Funds	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	15,78,670	11,65,700	12,77,346	15,61,256	14,81,243

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)										
EPS	5.9	8.9	6.8	-1.1	-9.6	-18.5	-7.6	-8.4	-8.6	-8.1
Cash EPS	19.5	23.6	24.2	20.6	9.7	-1.8	0.9	-0.2	-0.4	0.6
BV/Share	49.8	64.0	65.4	68.6	62.5	68.3	2.1	-13.3	-21.9	-29.9
DPS	0.4	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	7.9	8.1	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)										
P/E	1.7	1.1	1.5	-9.0	-1.0	-0.5	-1.3	-1.2	-1.2	-1.2
Cash P/E		0.4	0.4	0.5	1.0	-5.4	10.9	-45.8	-22.9	15.6
P/BV	0.2	0.2	0.2	0.1	0.2	0.1	4.8	-0.8	-0.5	-0.3
EV/Sales		0.9	1.2	1.6	2.2	3.1	3.0	4.6	5.1	4.8
EV/EBITDA	2.8	1.6	3.3	5.1	9.1	26.7	9.0	11.4	11.5	9.9
Dividend Yield (%)	4.0	6.2	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)										
RoE	12.7	16.1	10.6	-1.7	-16.0	-37.2	-66.2	150.5	48.8	31.1
RoCE	7.5	8.2	6.4	1.6	-1.8	-6.7	-7.9	-5.5	-4.0	-1.9
RoIC	9.0	11.7	8.2	1.8	-2.2	-7.8	-8.9	-5.7	-4.8	-2.7
Working Capital Ratios										
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Asset Turnover (x)	0.7	0.6	0.5	0.4	0.3	0.2	0.4	0.3	0.3	0.3
Inventory (Days)	1	1	1	1	0	0	0	0	0	0
Debtor (Days)	11	11	12	13	11	32	25	22	11	11
Leverage Ratio (x)										
Current Ratio	0.7	1.0	0.4	0.4	0.5	0.5	0.3	0.5	1.0	1.0
Interest Coverage Ratio	5.0	9.6	3.0	0.7	-0.5	-1.2	-0.7	-0.4	-0.3	-0.1
Net Debt/Equity	1.2	0.6	1.5	2.0	1.9	1.7	17.7	-4.3	-2.8	-2.2

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	19,678	31,929	42,501	-8,632	-41,682	-1,46,039	-6,17,970	-4,42,534	-2,46,551	-2,31,520
Depreciation	45,194	53,036	62,561	78,272	84,091	1,45,356	2,43,564	2,36,385	2,34,047	2,49,883
Interest and Finance Charges	8,564	9,337	20,685	39,736	44,600	87,317	1,43,662	1,78,345	1,90,128	2,02,878
Direct Taxes Paid	-6,384	-11,043	-8,611	-6,808	0	0	24,064	7,903	0	0
(Inc.)/Dec. in WC	5,354	5,540	-3,980	6,960	-23,102	2,70,182	-92,455	-14,445	8,690	-25,808
CF from Operations	72,406	88,800	1,13,155	1,09,527	63,907	3,56,816	-2,99,135	-34,346	1,86,313	1,95,433
Others	9,786	15,379	-3,669	-4,154	-10,583	-91,521	3,72,410	1,90,743	0	0
CF from Operating incl. EO	82,192	1,04,179	1,09,486	1,05,373	53,324	2,65,295	73,275	1,56,397	1,86,313	1,95,433
(Inc.)/Dec. in FA	-36,448	-41,576	-1,29,118	-1,26,319	-73,880	-11,41,615	-78,011	-45,315	-1,07,319	-1,50,000
Free Cash Flow	45,744	62,603	-19,632	-20,946	-20,556	-8,76,320	-4,736	1,11,082	78,994	45,433
(Pur.)/Sale of Investments	0	0	1,03,909	-33,472	-9,122	-9,481	65,423	42,424	0	0
Others	-29,194	-15,680	2,835	4,626	-9,715	7,587	-15,310	13,642	0	0
CF from Investments	-65,642	-57,256	-22,373	-1,55,165	-92,717	-11,43,509	-27,898	10,751	-1,07,319	-1,50,000
Issue of Shares	263	37,374	175	-4,453	67,497	0	2,49,164	0	0	0
Inc./(Dec.) in Debt	-15,936	52,355	-86,485	84,297	29,306	5,05,385	-80,826	-43,503	5,30,461	1,51,507
Interest Paid	-7,682	-6,656	-4,393	-32,800	-44,600	-87,317	-1,52,585	-28,256	-1,90,128	-2,02,878
Dividend Paid	-1,306	-2,792	-2,598	-2,599	0	0	0	0	0	0
Others	-4	0	0	1	-12,954	4,69,763	-65,940	-95,555	0	0
CF from Fin. Activity	-24,665	80,280	-93,301	44,445	39,249	8,87,831	-50,187	-1,67,314	3,40,333	-51,371
Inc./Dec. in Cash	-8,115	1,27,202	-6,188	-5,346	-144	9,617	-4,810	-166	4,19,327	-5,938
Opening Balance	11,658	3,543	13,879	6,174	435	291	7,558	3,669	22,165	4,41,492
Closing Balance	1,881	15,537	7,691	827	291	9,908	26,591	22,165	4,41,492	4,35,554

E: MOFSL estimates

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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