

BSE SENSEX
 57,362

 S&P CNX
 17,153


Bloomberg	BHARTI IN
Equity Shares (m)	5,955
M.Cap.(INRb)/(USDb)	4033.4 / 52.9
52-Week Range (INR)	782 / 490
1, 6, 12 Rel. Per (%)	0/2/24
12M Avg Val (INR M)	7884
Free float (%)	44.1

Financials & Valuations (INR b)

INR Billion	FY22E	FY23E	FY24E
Net Sales	1,175	1,403	1,572
EBITDA	579	722	833
Adj. PAT	33	78	109
EBITDA Margin (%)	49.3	51.5	53.0
Adj. EPS (INR)	5.8	13.7	19.3
EPS Gr. (%)	-541	138	40
BV/Sh. (INR)	129	171	190

Ratios

Net D:E	1.8	0.9	0.5
RoE (%)	4.9	9.2	10.7
RoCE (%)	7.6	10.7	12.9
Div. Payout (%)	0.0	0.0	0.0

Valuations

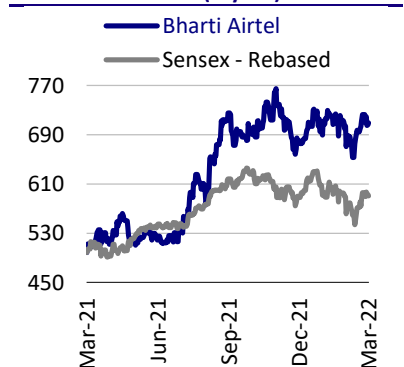
EV/EBITDA (x)	9.3	6.9	5.5
P/E (x)	123	52	37
P/BV (x)	5.5	4.2	3.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	3.5	8.3	9.9

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	55.9	55.9	56.2
DII	19.5	19.2	21.8
FII	19.4	19.9	17.8
Others	5.2	5.1	4.2

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR709
TP: INR910 (+28%)
Buy

Multiple growth levers in place; analyst meet takeaways

Bharti Airtel (Airtel) hosted an analyst meet underscoring three key things – a) multiple growth engines, b) premiumization and digital shift, moving away from a dumb pipe and c) its network capabilities and 5G preparedness – biting the bullet.

Further, there could be monetization/value unlocking opportunities in a few businesses. We certainly believe the stock has multiple levers. The key highlights of the analyst meet are furnished below:

Multiple growth opportunities beckon

Airtel's mobility business has multiple ARPU levers supported by a favorable market construct, tariff hikes and a shift to smartphones from feature phones. However, the non-mobility revenue which has achieved 28% share currently (v/s 21% in FY15), too has strong growth levers. The Homes business is in a land acquisition state, targeting 2.5x growth in home passes over FY22-25E. The B2B-Airtel business should benefit from the 55% jump in market size to INR980b in FY25E, with new emerging segments in CPaaS, and IoT. The Airtel Payments Bank achieved sizeable scale with a network of 122+ customers and 8m+ merchants, using its own subscriber ecosystem. This addresses the concern of high customer acquisition cost and thus turning breakeven.

Premiumization and digital shift, moving away from a dumb pipe

The mobility business has led to customer premiumization at the higher and mid-market ends through upgrades of Airtel Black campaign, Postpaid, fiber and converged entertainment (OTT + linear) products that would drive ARPUs and increase customer wallet share as well as improve stickiness. The digital assets are leveraging its quality subscribers to create scale – Thanks / Wynk apps with MAUs of 102m / 71m (up 2.5x-3x in ~two years), respectively, and Payments Bank MTU of 32m (4x in ~two years). These have allowed Airtel to create multiple value unlocking opportunities in: a) Ad tech, having a strong scale of 184m MAUs and 135+ brands, b) Airtel Payments, having 500m customers and c) Digital market places, viz., Wynk, Xstream, loans and credit cards, and hence, moving away from a dumb pipe.

5G – biting the bullet

Our discussions with regulatory experts and equipment manufacturers indicate that 5G is round the corner with possible auction by 2Q-3QFY23E along with possibilities of reduced spectrum pricing. However, Airtel showcased its preparedness and inclination to drive the technology change through: a) 5G trials, b) backhaul fiberization and infra readiness and c) device ecosystem developments. Importantly, investments on 5G may be a function of timing, but over 3-5 years capex may remain moderate as a % of revenue, given that only 5G radio capex may see lumpiness, while other components such as core, transport, non-mobility and 4G capex may be on the wane.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@MotilalOswal.com)

Harsh Gokalgandhi - Research Analyst (Harsh.Gokalgandhi@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Airtel Payments Bank – a profitable unicorn with a huge opportunity

The Airtel Payments Bank, an unusually profitable venture, has an advantage of using Airtel's large 350m subscriber ecosystem through Thanks app that feeds a strong 122m users and 32m MTUs garnering GMVs of 370b+ with INR10b+ revenue. These allow it to generate revenue not just through the conventional transaction route but also through cross selling of loans, FASTags, and bundle subscriptions along with interest revenue. Leveraging the existing subscriber ecosystem has allowed the bank to save markedly on customer acquisition costs unlike the industry scenario. This has managed to turn the bank profitable. It should now be on a strong growth trajectory and may list separately in the stock market over next few years.

Material upside potential from multiple growth levers; Reiterate BUY

Airtel is valued at 10x on India Mobile and 5x on Africa Business EV/EBITDA on FY24E factoring in ~20% EBITDA CAGR over FY22-24E. We have built in 15% ARPU increase over FY22-24E primarily from mix benefit without factoring in any incremental tariff hikes. We see material upside potential on the stock from: a) incremental ARPU improvement opportunity through market share gains, tariff hikes and customer upgrades, b) growth in non-mobility businesses including value unlocking in multiple digital/enterprise segments and c) re-rating of valuation multiple backed by improving ROCE/FCF profile due to ARPU growth and higher share of non-mobility business, raising customer stickiness. While 5G-led increase in capex intensity remains a red flag, our channel checks indicate lower spectrum pricing as well as moderate capex as a % of revenue over 3-5 years coupled with the INR160b uncalled Rights issue will ensure that FCF and net debt numbers would be well managed. Maintain BUY with a TP of INR910, implying 28% potential upside.

Exhibit 1: Airtel's FY24E-based SOTP

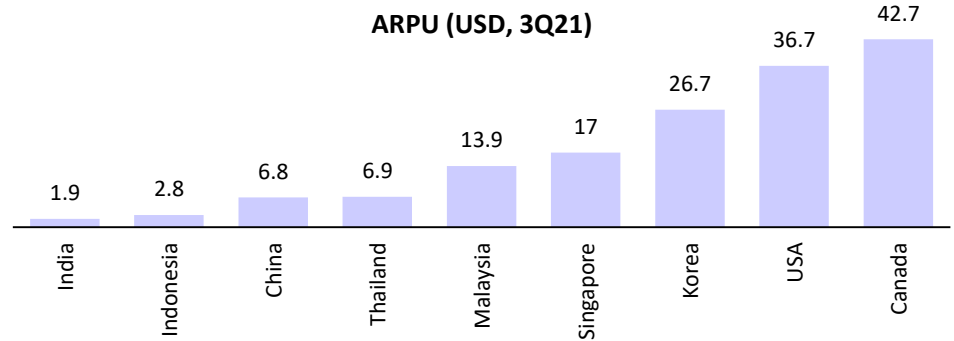
	EBITDA (INR b)	Ownership	Proportionate EBITDA (INR b)	EV/EBITDA	Fair Value (INR b)	Value/Share
India SA business (excl. towers)	599	100%	599	10	6,148	1032
Tower business (15% discount to fair value)		41.7%			243	41
Africa business	234	55.2%	129	5	646	108
Less net debt					1618	272
Total Value					5418	910
Shares o/s (b)	6.0					
CMP						709
Upside (%)						28

Source: MOFSL

Opportunities galore**Mobility business**

- **Industry structure:** Market reduced to four players from eight players; Airtel is competitively well placed to gain market share.
- **ARPU opportunity:** India, at USD1.9/customer, is much below the majority of global economies. The ARPUs are very low and should reach INR200-INR300, which will need a few more rounds of tariff hikes over the next few years. In India, postpaid is merely 4% of the total subscribers, which is much lower than most economies. Airtel has added 3m customers in postpaid over the period. At present, Airtel has USD2 ARPU with 6% ROCE. At USD3.3, its ROCE will be 20%. This could generate incremental revenue of INR330b and INR280b of EBITDA.

Exhibit 2: Lowest prices in India (v/s global benchmarks)



Source: Company

- Upgrades to smartphones:** Currently there are 350m feature phones and 550m smartphones, offering opportunity for 40m upgrades per year. Airtel’s share of industry 4G additions has continuously increased.

Exhibit 3: Mobile upgrade – opportunity

200 Million Upgrades by FY 26

350 Mn Feature Phones

550 Mn Smartphones

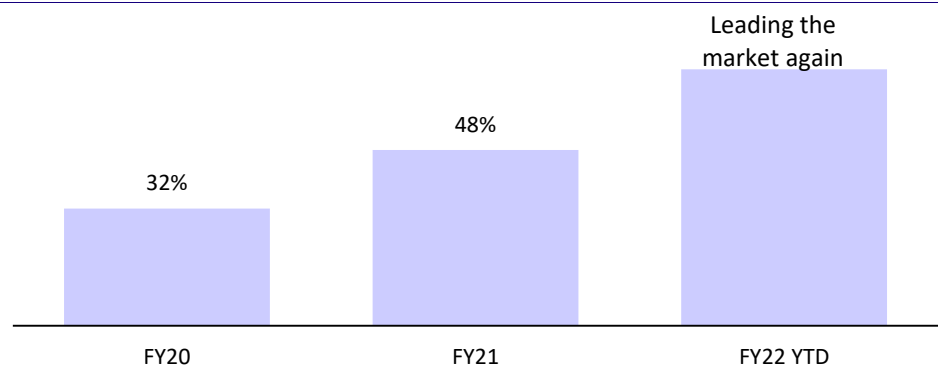


40 Mn upgrades/year



Source: Company

Exhibit 4: Share of Industry 4G net adds

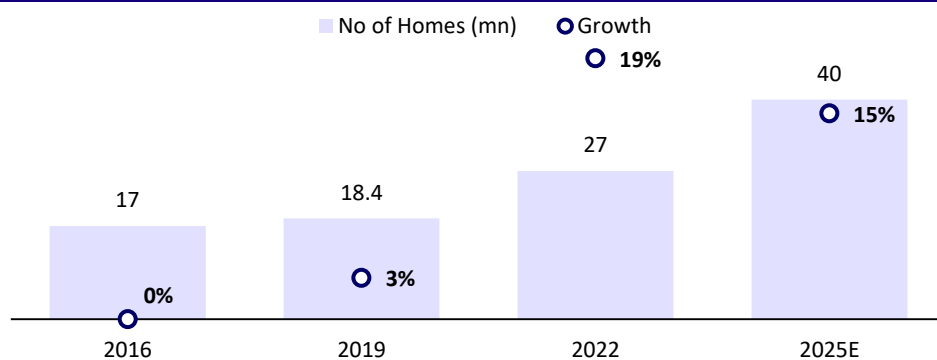


Source: Company

Homes business

- The number of subscribers in the homes segment has increased to 27m in 2022 from 17m in 2016. The target is to grow aggressively to >40m homes in 2025.
- Convergence is playing out with an opportunity of 50m high value homes. Airtel is present in two out of three such homes and targets to add one additional service with INR650+ incremental revenue/house.
- Broadband is a land grab. Have to improve execution in this segment. In some of the markets, it is growing market share decisively; but in some other fast growing markets, execution needs to be improved.

Exhibit 5: Home broadband opportunity

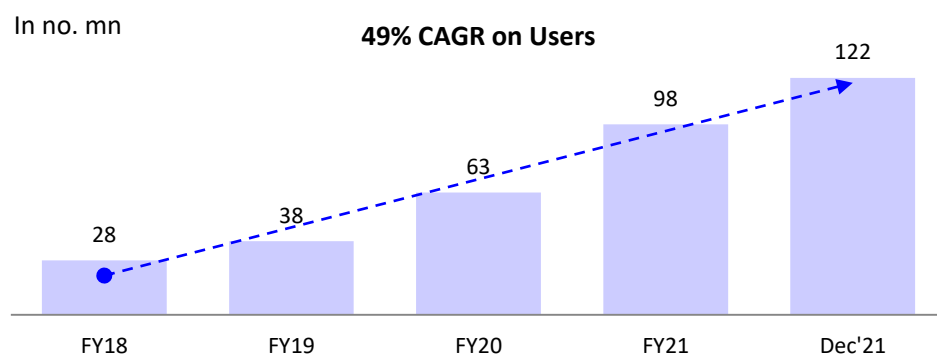


Source: Company

Airtel Payments Bank

- Achieved healthy scale with 122m customers, INR370b GMV/quarter and 1b+ transactions/quarter. It has a network of 8m+ merchants.
- The strong performance has reduced telco churn by 65%.
- It has achieved a breakeven in Jul'21, highlighting the proven profitable model. This is a very difficult business as it operates on a very low margin. The industry has high cost of customer acquisition but Airtel has used existing telecom customer base that has saved on customer acquisition costs.
- The entire model is digital, using existing distribution network. The Airtel Payments Bank is using existing sales systems of the customers.

Exhibit 6: 49% CAGR on Users over Mar'18 - Dec'21

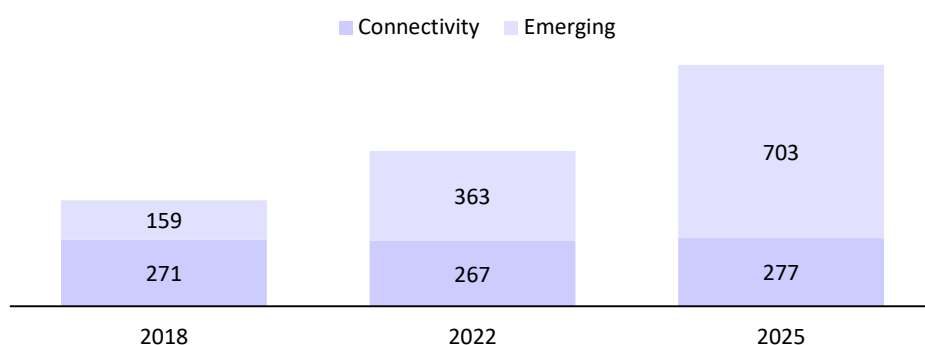


Source: Company

B2B opportunity:

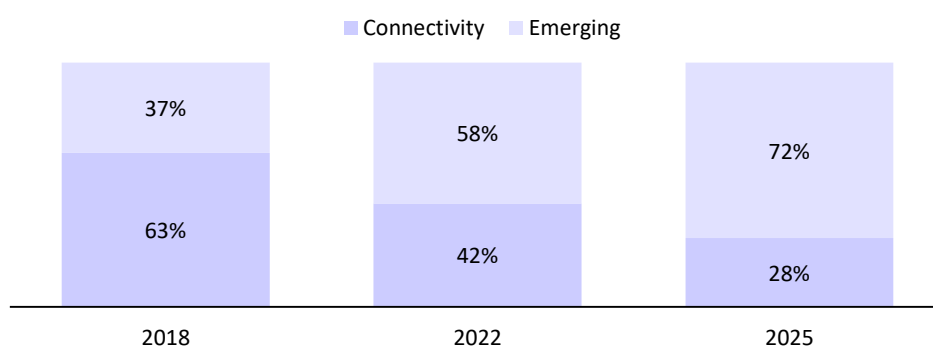
- Emerging category has grown to 58% from 37% over 2018 - 2022, adding revenue of INR200b and targets to grow 72%, adding INR350b revenue by FY25E. The EBIT margin profile is much better and higher with 25-40% margin in CPaaS, 20-30% in data, while the rest including security and cloud hovers at 10-15% EBIT margin.
- **Increased farming to drive growth:**
 - 80% customers generate 20% revenue, implying significant opportunity to increase revenue.
 - Some large clients have low market share but have large opportunity. For instance, a large BFSI customer generated only 4% of its spends in the beginning of the year, but now offers 37% market share. Since the relationship was already there, it was easy to farm.

Exhibit 7: Emerging categories now accelerating (INR b)



Source: Company

Exhibit 8: Emerging categories improve share



Source: Company

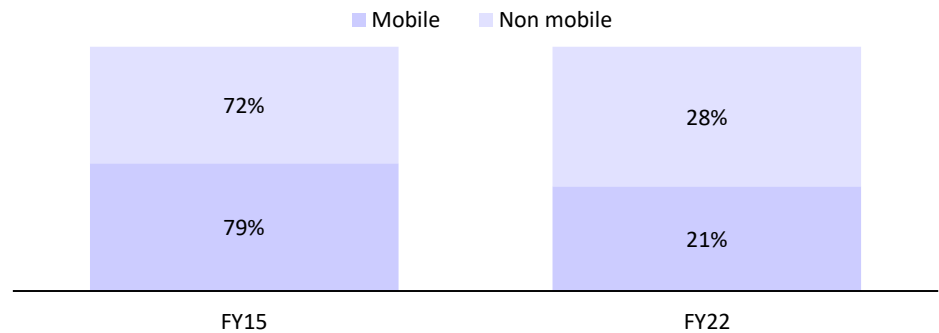
Strategy

Quality customer:

- Non-mobile revenue increased to 28% from 21% over FY15-22. Highest industry ARPU of INR163 with 40% gain in two years.
- **Strong digital assets:** Airtel ‘Thanks’ had 102m MAU in Dec’21 grown from 43m in Jun’19. Wynk had 71m. Total digital MAU was at 184m.
- **Digitization of processes done with focus on:** a) ability to get more customer, and b) more wallet share or c) lower cost (eliminating waste).

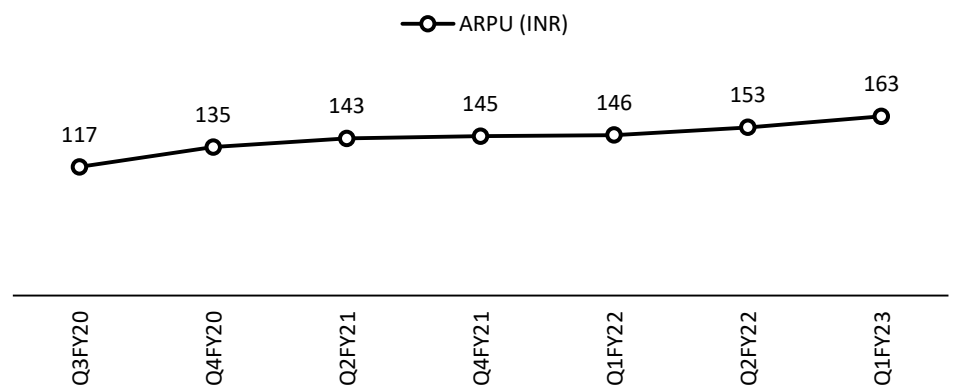
- Airtel Africa and Airtel India’s revenue and EBITDA are growing consistently over the last 2-3 years. Airtel is the No. 1 or No. 2 player in 12 markets.

Exhibit 9: Increasingly diversified portfolio



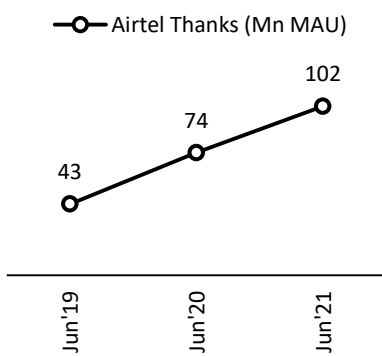
Source: Company

Exhibit 10: Highest industry ARPU (INR) – 40% gains in two years



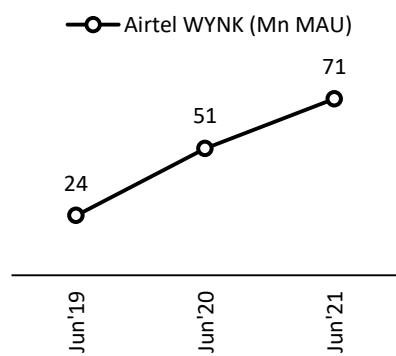
Source: Company

Exhibit 11: Airtel Thanks (m MAU)



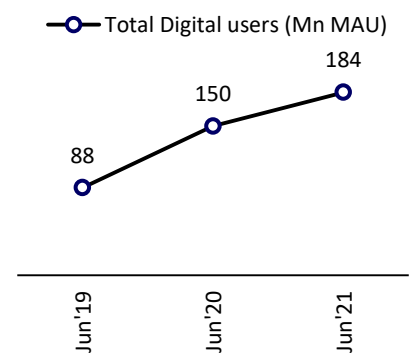
Source: Company

Exhibit 12: Airtel WYNK (m MAU)



Source: Company

Exhibit 13: Total Digital users (m MAU)



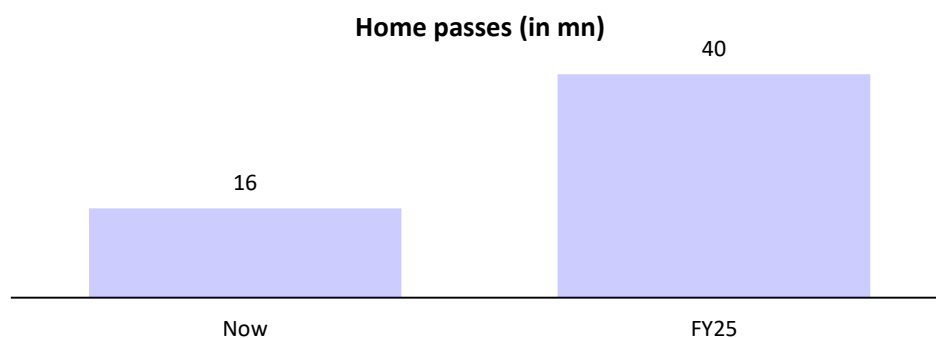
Source: Company

- **B2B** – Revamped the go-to-market strategy by farming and tracking new large enterprise clients.
- For SME and other smaller clients, Airtel is changing the strategy from each business/channel-wise targets to account-wise targets where an account manager is responsible for all customer services. Further, since it is an annuity business, internal sales force is ramped up and have cut the channel costs.
- **Right to win in digital business:** Customers want to consolidate. Cloud wants to partner. But for other things, customer is looking for trusted partners with capabilities across products.

Broadband – Targets to increase home passes to 40m in FY25 from 16m

- This is led by the LCO partnership, where typically each LCO has 2,000-3,000 homes. Airtel has digital onboarding process of below <10mins with automated payouts. That has helped to scale up to 800 cities, currently from 10 cities earlier.

Exhibit 14: Expansion of home passes



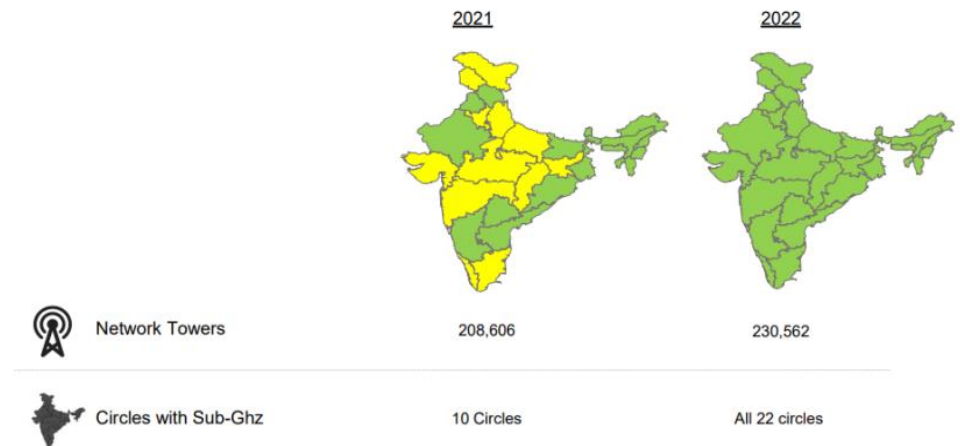
Source: Company

Entertainment: Largest content aggregation with single sign in

Mobility:

- Airtel India has reached 35.4% lifetime high market share as on Dec'21. Ranked No. 1 in postpaid.
- **Increased ~22k** network towers and acquired sub-ghz spectrum across all 22 circles to drive customer quality.
- Created Airtel Black, Mera pehla smartphone, and bank wala SIM to drive customer quality and stickiness.

Exhibit 15: Mobile – Expansion

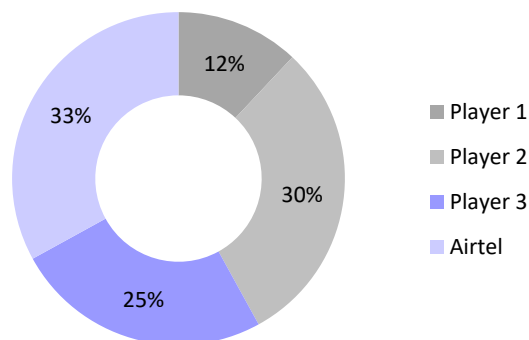


Source: Company

Omni-channel experience – Customers do not differentiate between online and offline

- Customers were earlier viewed according to businesses. Now there is a single view through a 360 degree platform. A customer using all services viz., mobility, fiber, DTH and banking is seen in one view offering same experience across services.
- **Earlier, onboarding was also business wise with its own go-to-market. Mobility was through trade system, Broadband was through direct network, and stores were through catchment for postpaid. B2B had its own channel.** Now everything happens through three channels – mass retail channel, direct-to-customer channel and own sales model for B2B business.
- **Network experience** – Deep spectrum portfolio to give experience across low, mid and high bands. Airtel has 33% spectrum share. Monitoring data and voice experiences are done through one view across India.
- **Service experience** – Built speech analytics platform to evaluate customer services.

Exhibit 16: Share of Spectrum



Source: Company

Monetize digital capabilities

- **Assets that can be monetized to lighten balance sheet:** a) Indus Towers (0.18m towers, USD9b M.Cap), b.) Nextra data center (Enterprise value of USD1.2b, 75% stake), c.) Fiber assets (400k+ RKms fiber) d.) ROBI Axiata (Airtel's equity value of USD0.6b), e.) Airtel Payments bank – Unicorn.
- Cloud Communications (Airtel IQ), data centers, (Nextra), Airtel Payments, Adtech, security and cloud as well as digital marketplace are all monetizable digital capabilities.
- **Airtel's business is well positioned to take advantage of:** a) Cloud Communications (CPaaS), with INR200b market size by FY25E (36% CAGR over FY22-25E), b) Data centers having revenue of INR10b with INR140b market size by FY25E (22% CAGR over FY22-25E), and c) Security and Cloud with INR310b market size by FY25E (26% CAGR over FY22-25E).
- Digital services have INR10b revenue, of which Adtech has INR310b market size.
- Airtel Payments has INR10b revenue, with an opportunity of 300m financially under-banked opportunity. All the businesses are profitable.
- **Indus Tower:** Long-term target is to hive off the tower company. However, since there is 40%+ holding in it and it is a critical asset, there is a need to protect it.

Capex intensity and 5G strategy:

- **Capex intensity high only for radio equipment:** Non-wireless capex and transport capex are steady. Core capex is modest, and radio capex is the only part that is growing. As a % of revenue, capex will moderate going forward.
- **5G strategy:** Like to do a modest rollout now and then grow the network overtime. But it will depend on spectrum pricing, competition among other factors. The risk is that, investment will have to be in advance if market situation requires so, but over a three-year period the capex intensity will be the same.
- **Satellite** – It is a substitute for terrestrial networks. For remote areas, it will be useful and Airtel will collaborate with other players in this space.

Premiumization

- **ARPU growth levers: This is led by four factors** – a) upgrade from feature phone to mid-market smartphone customers to high value home customers through Airtel Black, postpaid, fiber-based home broadband offerings and converged entertainment.
 - a. **Airtel Black:** View customers from 360 degree offering multiple services, priority services, one bill, free set top box, etc.
 - b. **Postpaid – Target customer upgrades based on multiple cohorts** such as a) >15k handsets, and credit ratings among others.
 - c. **DTH** – Offer converged TV viewing through bundle packs of OTT+ Linear and single subscription for multiple OTTs.
 - d. **Smartphone customers'** premiumization agenda is led by Thanks App, Wynk and Payment Bank.
- Provide differentiated offerings for all customer products such as Wynk, Xstream, insurance bundles, bank wala SIM, etc.
 - **Upgrade the feature phone users** – mera pehla smartphone. Loyalty cashback, new device platform, etc.

- **There are two channels of growth** – direct through the local catchment marketing and indirect through mass retail.
- Strategy is not to own the content, but will have partnerships to drive improvement content portfolio

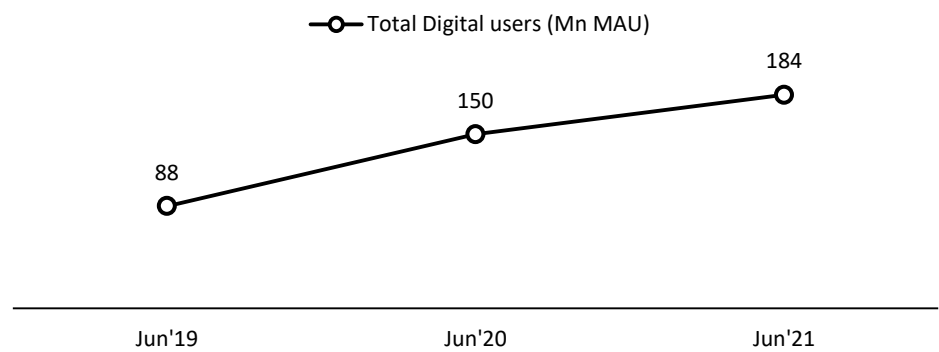
Network

Network capability:

- Airtel has 33% spectrum share and the highest share in the mid-band range with 15-20mhz and sub-ghz spectrum is now in all circles. This has led to high VOLTE network, deeper coverage and ability to accommodate higher data consumption with better customer experience.
- **5G** – Working since 15 months. Gives extremely high speeds, ultra-low latencies, and concurrency. **Use cases:** For consumers – It has use cases for cloud gaming, meta-verse connectivity (holograms). For enterprises there are use cases for system automation.
 - **Airtel 5G readiness – a) Devices:** Liaising with OEMs, **b) Transport and Core:** Prepared fiberized towers and microwave, **c) Tower readiness** – Radio: Depending on spectrum pricing, will maximize coverage and reduce cost of ownership.
 - For 5G rollout, it will follow the ecosystem development of consumer device, network equipment, and also based on market and peer positions. 5G should largely happen on 3500mhz spectrum in the initial phase.

Digital capabilities

- **Digital Services** – a) Airtel ads – Adtech platform, b) Airtel IQ – CPaaS platform, c) digital market place (Wynk, Xstream, loans, credit card) and digital banking
- a) Airtel ads – 135+ brands leverages 350m+ Airtel customers across Airtel Thanks, Wynk, Xstream and SMS as well as Airtel (DTH)
- Airtel acquired Aqilliz blockchain as a service. Using this Airtel plans to do a better targeting without taking customer data.
- 1000+ campaigns delivered in FY22, serving 135+ premium brands across 35+ industries including FMCG, gaming, OTT and financial services. As data capabilities are growing, CPM is also rising.
- Airtel IQ – Customer engagement platform over Voice (Call Masking, Toll Free, Dialer, SEBI Call Recording), messaging (Send SMS, CLI Manager, Secure SMS, WhatsApp, Video Stream, Call, Analytics) and contact center (IVR, Email, Chat bots), catering to 185+ enterprise customers live in FY22 with 4B+ voice minutes handled in FY22.
- **Digital Marketplace** – There are 350+ Airtel customers with 184m MAUs, 90m music and video streamers, 50m gamer.
 - 1.) Wynk 2.0v has 70m+ MAU.
 - 2.) Airtel Xstream - 15 out of 40 OTT apps are integrated.
 - 3.) Airtel loans – For 80% of the customers, the paper work is also digital. and
 - 4.) Co-branded Airtel credit card.

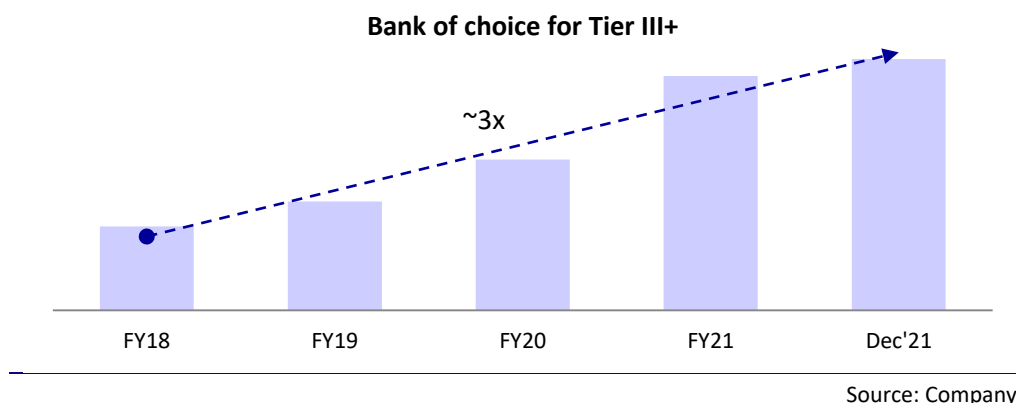
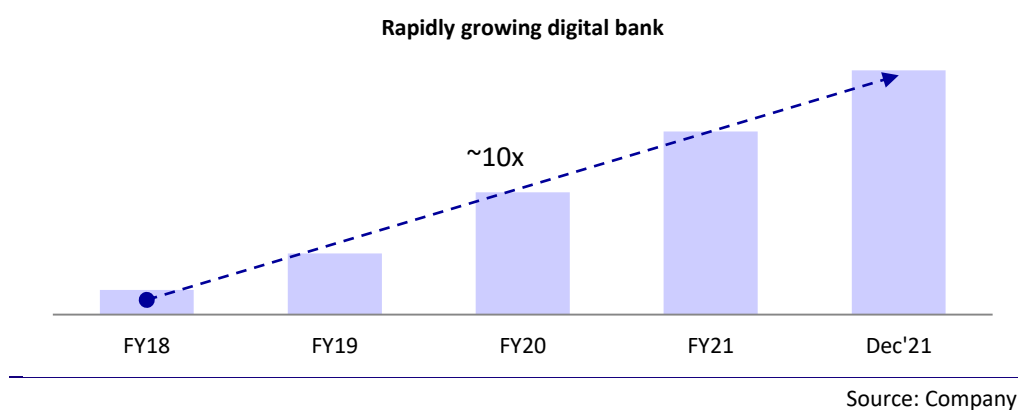
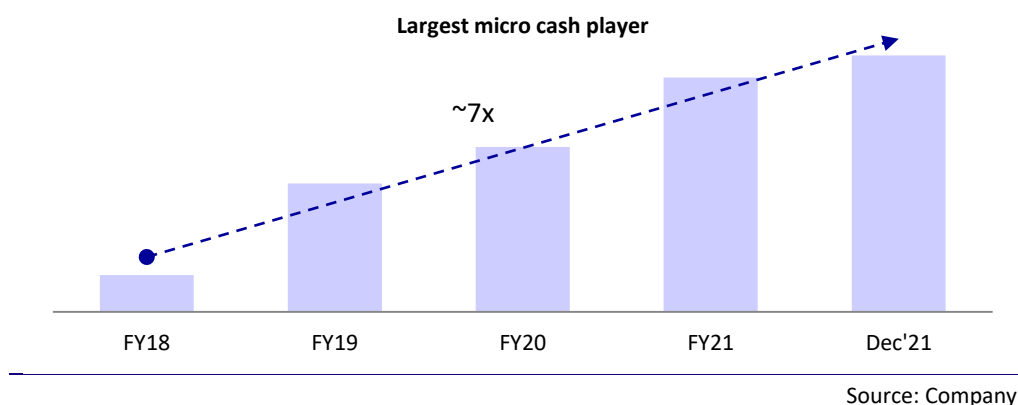
Exhibit 17: Total Digital users (m MAU)

Source: Company

- **The idea is to use existing customer data to leverage growth.** Airtel's differentiation is data safety integrated with SIM network. The key advantage is that there is no customer acquisition cost. Typically, in the market, free apps pay INR5-10/customer, while paid apps have INR100-200/customer, while in some apps, the customer acquisition cost increases to INR1,000. That helps in offering lower pricing.
- Currently, Airtel is limiting it to own customers to ensure low customer acquisition cost. Else it will be the same like other apps incurring high customer acquisition costs. Airtel is trying to play to its strength, but can certainly at some point open to outside customers to drive scale.

Airtel Payments Bank

- There lies a huge opportunity from 500m customers and 300m financially under-banked customers. Additionally, there is an opportunity from 200m digitally under-served customers as there are 450m Indians who consume digital content but only 250m who consume digital financial services. Further, there is a large-scale opportunity of cash management services as the informal economy turns to digital payment.
- The bank has payment licenses, access to over 1m telecom retailers and 184m unique users across digital assets to drive growth.
- **Three revenue streams:** Transaction revenue, cross selling revenue and interest revenue – earlier GMV drove 90% of the revenue.
- **Three growth segments: For the under-banked,** it has 3L banking points in tier 5/6 villages. It has grown 3x over the last four years. **For the digital users,** with upfront fee based service, it has 75m users, grown 10x over the last five years. **Institutional flows:** It has over INR50b of cash management/month and 2,000 B2B partners.

Exhibit 18: Bank of choice for Tier III+**Exhibit 19: Digital consumer balances doubled Y-o-Y****Exhibit 20: Institutional flows – double-digit growth YoY**

- **Current position** – 7% market share in Aadhar-enabled payment systems, 16% market share in domestic remittances, fourth largest FASTag issuer, 2.6m units of financials products cross sold.
- **Deep ecosystem across segments** – Using 350m Airtel subscribers and Thanks App to obtain customers.
- **Monetization across ecosystems** – Cross selling loans and new streams such as FASTag, subscriptions and bundles plan.
- **So far have 32m monthly transacting users, now in a position to gain strong scale over the next few years.**
- **Three key positioning of the company:** India's largest cash-handing payment, largest digital bank for the urban users and largest bank for the under-banked.

- In the next few years, the bank **may list in stock markets separately**. It will now be on strong growth trajectory.

Enterprise business

- 95% of the tech companies are our customers. Adding 5-10k customers every month.
- Three customer segments: OTT, enterprise and emerging customers
- Addressable market of INR630b with INR360b for emerging products showing stronger growth. Core market size of INR270b, growing at 4%, but Airtel targets to grow faster than the industry.
- Network as a Service: Moving up the value chain; USD1b market in three years.
- **Data centers:** Have 11 large data centers, 120 Edge data centers, and a few upcoming data centers.
- **Airtel IQ** is 15-16% of the total enterprise revenue of INR160b. Hence, it is worth INR20b in revenue.
- IOT – 4,500+ customers connecting 11m+ devices. Catering to three sectors: Utilities – 250 new meters (electricity, water); Automobiles – every car in India will have a SIM; PoS – 50-60% market share. If Fintech grows it will be big and can leverage the benefit.
- CPaaS – 130b transactions with 300 customers.
- 5G for business – Enabling the entire ecosystem. Partnering with ecosystem players such as Cloud to create customized use cases.
- Witnessing 18% growth in data segment against 11% growth in overall B2B segment.
- Solutions segment currently at 50-60% of revenue. This should grow to 70-75%.
- 5G has three use cases – Mobility, FWA and Private networks.
- Airtel IQ will be expanded globally.
- Out of the total CPaaS industry, SMS is a significant at ~75%. However, Airtel has made strong inroads in voice and data segments of CPaaS.
- Over the time, data center should be listed separately (not the enterprise business), as this is not the core of Airtel's business.

Financials and valuations

Consolidated - Income Statement									(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	965	955	826	808	869	1,006	1,175	1,403	1,572
Change (%)		-1.1	-13.4	-2.2	7.6	15.7	16.8	19.4	12.1
Total Expenditure	625	601	526	550	509	552	595	680	739
% of Sales	64.8	63.0	63.6	68.1	58.6	54.9	50.7	48.5	47.0
EBITDA	340	353	301	258	360	454	579	722	833
Margin (%)	35.2	37.0	36.4	31.9	41.4	45.1	49.3	51.5	53.0
Depreciation	174	198	192	213	276	294	334	365	390
EBIT	165	156	108	44	85	160	245	357	443
Int. and Finance Charges	69	77	81	96	135	151	167	150	137
Other Income	11	10	13	5	16	6	31	42	43
PBT bef. EO Exp.	107	89	41	-47	-34	14	110	249	350
EO Items	22	-12	-8	29	-402	-159	8	0	0
PBT after EO Exp.	128	77	33	-17	-437	-145	118	249	350
Total Tax	60	35	11	-34	-123	89	46	100	140
Tax Rate (%)	46.3	45.1	33.2	197.4	28.2	-61.7	39.0	40.0	40.0
Profit from discontinued operations	0.0	0.0	0.0	0.0	7.1	110.6	0.0	0.0	0.0
Minority Interest	8	4	11	13	15	27	34	72	100
Reported PAT	61	38	11	4	-322	-151	38	78	109
Adjusted PAT	49	44	14	-35	-41	-7	33	78	109
Change (%)		-9.5	-68.6	-350.3	16.6	-82.3	-554.1	138.1	40.5
Margin (%)	5.1	4.7	1.7	-4.3	-4.7	-0.7	2.8	5.5	7.0

Consolidated - Balance Sheet									(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	20	20	20	20	27	27	28	30	30
Total Reserves	648	655	675	694	744	562	703	937	1,047
Net Worth	668	675	695	714	771	590	732	967	1,076
Minority Interest	55	69	88	135	250	223	257	329	429
Total Loans	1,005	1,073	1,113	1,254	1,176	1,628	1,508	1,285	1,186
Lease liabilities	0	0	0	0	306	0	0	0	0
Deferred Tax Liabilities	-34	-17	-22	-83	-263	-222	-222	-222	-222
Capital Employed	1,693	1,799	1,875	2,021	2,241	2,218	2,275	2,359	2,469
Net Fixed Assets	1,780	1,891	1,589	1,684	1,690	2,292	2,334	2,220	2,081
Goodwill on Consolidation	0	0	328	333	346	0	0	0	0
Capital WIP	0	0	52	88	40	0	0	0	0
Right of use assets	0	0	0	0	259	0	0	0	0
Total Investments	120	182	180	176	278	329	289	289	289
Curr. Assets, Loans&Adv.	311	234	327	382	724	617	703	951	1,242
Inventory	2	0	1	1	2	0	2	0	2
Account Receivables	55	47	59	43	46	36	41	44	51
Cash and Bank Balance	37	13	48	62	136	81	133	350	605
Loans and Advances	217	173	219	276	541	500	527	557	584
Curr. Liability & Prov.	518	507	602	641	1,097	1,020	1,051	1,100	1,142
Account Payables	508	497	577	621	621	1,020	1,051	1,100	1,142
Provisions	10	10	25	20	476	0	0	0	0
Net Current Assets	-207	-273	-275	-259	-373	-403	-348	-149	100
Appl. of Funds	1,693	1,799	1,875	2,021	2,241	2,218	2,275	2,359	2,469

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)									
EPS	12.3	11.1	3.5	-8.7	-7.5	-1.3	5.8	13.7	19.3
Cash EPS	55.9	60.6	51.6	44.7	43.1	52.2	64.8	78.3	88.3
BV/Share	168.8	168.8	173.9	178.7	141.4	107.3	129.3	170.8	190.1
DPS	1.4	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	10.8	12.7	43.8	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)									
P/E	57.7	63.8	203.0	-81.1	-94.9	-541.0	122.8	51.6	36.7
Cash P/E	12.7	11.7	13.7	15.9	16.5	13.6	10.9	9.1	8.0
P/BV	4.2	4.2	4.1	4.0	5.0	6.6	5.5	4.2	3.7
EV/Sales	3.9	4.1	4.7	5.0	6.0	5.4	4.6	3.5	2.9
EV/EBITDA	11.2	11.0	13.0	15.6	14.5	12.0	9.3	6.9	5.5
Dividend Yield (%)	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	2.1	-22.9	7.8	-26.2	-7.3	26.9	34.3	76.3	86.7
Return Ratios (%)									
RoE	7.6	6.6	2.0	-5.0	-5.5	-1.1	4.9	9.2	10.7
RoCE	6.1	5.3	4.6	-2.5	3.7	12.8	7.6	10.7	12.9
RoIC	6.4	5.4	4.5	-2.6	3.5	14.4	8.2	12.0	16.1
Working Capital Ratios									
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.6	0.8
Asset Turnover (x)	0.6	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.6
Inventory (Days)	1	0	0	0	1	0	1	0	0
Debtor (Days)	21	18	26	19	19	13	13	11	12
Creditor (Days)	192	190	255	281	261	370	326	286	265
Leverage Ratio (x)									
Current Ratio	0.6	0.5	0.5	0.6	0.7	0.6	0.7	0.9	1.1
Interest Cover Ratio	2.4	2.0	1.3	0.5	0.6	1.1	1.5	2.4	3.2
Net Debt/Equity	1.3	1.3	1.3	1.4	1.5	2.5	1.8	0.9	0.5

Consolidated - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
(INR b)									
OP/(Loss) before Tax	128	77	33	-17	-428	-31	118	249	350
Depreciation	174	198	192	213	277	297	334	365	390
Interest & Finance Charges	85	95	93	110	137	149	167	150	137
Direct Taxes Paid	-47	-32	-14	-12	-23	-22	-46	-100	-140
(Inc)/Dec in WC	-4	-27	6	-55	-166	30	-3	18	6
CF from Operations	338	311	311	239	-203	423	569	683	742
Others	-58	-19	-12	-39	384	59	0	0	0
CF from Operating incl EO	279	292	299	201	181	482	569	683	742
(Inc)/Dec in FA	-271	-384	-267	-305	-221	-334	-376	-252	-252
Free Cash Flow	8	-92	31	-105	-40	148	194	432	491
(Pur)/Sale of Investments	68	-1	-33	1	-88	38	41	0	0
Others	61	69	40	19	5	27	0	0	0
CF from Investments	-142	-316	-260	-285	-305	-269	-335	-252	-252
Issue of Shares	1	1	0	99	462	7	104	156	0
Inc/(Dec) in Debt	-118	9	40	106	-180	-118	-120	-222	-99
Interest Paid	-33	-59	-44	-76	-110	-71	-167	-150	-137
Dividend Paid	-15	-9	-33	-47	-18	-27	0	0	0
Others	47	53	56	13	37	-40	1	1	0
CF from Fin. Activity	-118	-4	19	95	191	-249	-182	-215	-236
Inc/Dec of Cash	19	-28	58	10	68	-36	53	217	255
Opening Balance	-1	18	-10	41	54	131	91	143	360
Closing Balance	18	-10	41	54	131	91	143	360	615
Less :- (Bank Balance)/Bank overdraft	-19	-23	-7	-8	-5	10	10	10	10
Net Closing Balance	37	13	48	62	136	81	133	350	605

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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