

14 May 2025

India | Equity Research | Results Update

Bharti Hexacom

Telecom

Another strong quarter

Bharti Hexacom (BHL) highlighted it has much lower need for capital (vs Bharti Airtel) as it focused only on mobility and FBB business, and net debt levels were much reasonable. We expect BHL's dividend payout ratio to rise faster vs Bharti in coming years. BHL's mobile growth remains comparable to Bharti Airtel; however, BHL's home business has shown acceleration in growth with rollout of FWA, which offers opportunity to increase FBB penetration; BHL circles have higher concentration of rural and difficult terrain. Raise EPS by 11-14% on better than expected EBITDA with TP increased to INR 1,660 (from INR 1,410) as we raise EV/EBITDA multiple to 15x (from 14x). Maintain **HOLD** as risk-reward at 3.8% FY27E FCFF yield appears to be more balanced.

Mobile revenue grew 1.4% QoQ/22% YoY to INR 22bn

BHL's mobile revenue growth was aided by ARPU growth of 0.1% QoQ/ 18.4% YoY to INR 242 despite two lesser days, on continuing trend of premiumisation (2G to 4G, growing data consumption and adoption of 5G), and subs base rose 0.51mn (+1.9% QoQ/ 2.9% YoY) to 28.1mn. Its mobile revenue growth of 1.4% QoQ was slightly better than Bharti Airtel (1.3% QoQ). BHL's revenue has seasonality due to Rajasthan circle (80% of BHL revenue), which attracts more tourists during the second half of the year. However, BHL is seeing lower benefit for seasonality with rising base, therefore, its outperformance vs Bharti has narrowed.

Churn rate fell to 1.8% (vs 1.9% in Q3FY25) and gross subs add was 2.02mn (vs 2.06mn in Q3FY25). Smartphone data subs were 21.6mn, and net add was 0.53mn (+2.5% QoQ/ 9.1% YoY). Total minutes rose 1% QoQ/4.9% YoY to 95bn mins, and data usage rose 8.1% QoQ/23.5% YoY to 1,765bn MB.

Home services (FTTH) revenue grew 10% QoQ/29.6% YoY to INR 709mn aided by 52.7k subs net add (+13.3% QoQ/46.9% YoY) on strong proposition for FWA. During Q4FY25, company saw dominant share of net add coming on FWA (vs 40-50% for Bharti). Company believes N.E. circles will particularly benefit from expansion in FWA due to demographics. ARPU dipped 1.8% QoQ/6% YoY to INR 490, as more new subs are coming at base plan.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	70,888	85,479	1,00,504	1,15,342
EBITDA	33,612	41,972	52,951	63,596
EBITDA Margin (%)	47.4	49.1	52.7	55.1
Net Profit	8,074	13,341	20,251	27,630
EPS (INR)	16.1	26.7	40.5	55.3
EPS % Chg YoY	(8.2)	196.1	35.6	36.4
P/E (x)	168.4	56.9	41.9	30.7
EV/EBITDA (x)	26.6	21.1	16.4	13.3
RoCE (%)	10.7	17.6	23.1	28.3
RoE (%)	11.4	28.3	31.1	35.8

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Market Data

Market Cap (INR)	849bn
Market Cap (USD)	9,957mn
Bloomberg Code	BHARTIHE IN
Reuters Code	BHAX.BO
52-week Range (INR)	1,794 /885
Free Float (%)	15.0
ADTV-3M (mn) (USD)	9.0

Price Performance (%)	3m	6m	12m
Absolute	24.4	19.5	88.8
Relative to Sensex	17.3	14.6	77.6

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revision (%)	FY26E	FY27E
Revenue	0.4	2.0
EBITDA	2.0	4.4
EPS	11.5	14.1

Previous Reports

09-02-2025: [Q3FY25 results review](#)

29-10-2024: [Q2FY25 results review](#)

EBITDAaL rose 1.4% QoQ/ 36% YoY to INR 10bn

EBITDAaL margin stood at 44.3% (down 10bp) and incremental EBITDAaL margin was 36.8%. Network cost fell 2% QoQ/ up 4.2% YoY to INR 4.8bn despite recognition of 5G-related costs in P&L (MBB cell site rose 0.6% QoQ/ 2.5% YoY). Roaming charges rose 19.4% YoY to INR 2.5bn. SG&A cost rose 14.1% YoY to INR 1.5bn. Employee cost rose 47.6% QoQ/ 65.8% YoY.

D&A declined 0.1% QoQ/ +15.5% YoY to INR 5.3bn on charging 5G-related capex and spectrum (including the recently bought spectrum) to P&L. Therefore, BHL's EBIT rose 2.6% QoQ/ 52.3% YoY to INR 6.4bn. Net profit rose to INR 4.7bn vs INR 2.6bn in Q3FY25 due to exceptional loss of INR 1.1bn in the previous quarter, largely towards regulatory levies. Tax rate was lower at 8.7% due to reversal of deferred tax.

Strong FCF generation

Operating cashflow after lease and finance cost stood at INR 7.3bn, down 14.6% QoQ/ up 5.2% YoY and was impacted by higher tax payout of INR 2.6bn (INR 1.6bn in Q3FY25). Cash capex stood at INR 2.1bn; however, the company has INR 1.9bn of working capital release, which aided FCF to INR 7.1bn (vs INR 5.2bn in Q3FY25, which had working capital release of INR 631mn).

Capitalised capex stood at INR 4.3bn in Q4FY25 (18.6% of revenue) and INR 14.7bn (17.3% of revenue) in FY25. Net debt decreased by INR 6bn to INR 37bn and company did repayment of INR 5bn.

Company has announced dividend of INR 10/sh in FY25 which works to payout of 33.5%.

Other highlights

- Earlier, company's Board of Directors approved the sale of 3.4k towers (including macro sites, ultra lean sites, and cell on wheel, but excluding sites built under USOF) to Indus through slump sale for INR 11.3bn. However, at behest of TCIL (a government entity which has 15% stake in company) BHL has started the process afresh.
- Similar to Bharti Airtel, BHL has also guided for lower capex for company in FY26 vs FY25. In FY25, capex stood at INR 14.7bn compared to INR 20.2 in FY24.
- The company plans to accelerate rollout of FWA going forward. BHL has large operations in rural locations, and FWA provides opportunity to increase FBB penetration.

Risks

- **Downside risks:** 1) Market share loss in mobile business, and 2) rise in competitive and regulatory intensities.
- **Upside risks:** 1) Higher than expected tariff hike, and 2) continued rise in market share in mobile and home businesses.

Exhibit 1: Bharti Hexacom (consolidated)

INR mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Revenue	18,680	19,106	20,976	22,507	22,890	1.7	22.5
Network operation cost	4,564	4,674	4,764	4,853	4,756	(2.0)	4.2
% of revenue	24.4	24.5	22.7	21.6	20.8		
Roaming & access charges	2,067	2,209	2,238	2,304	2,468	7.1	19.4
% of revenue	11.1	11.6	10.7	10.2	10.8		
License fees and spect charges	1,728	1,734	1,923	2,074	2,093	0.9	21.1
% of revenue	9.3	9.1	9.2	9.2	9.1		
Employee cost	260	297	322	292	431	47.6	65.8
% of revenue	1.4	1.6	1.5	1.3	1.9		
SGA and other exp	1,283	1,434	1,710	1,467	1,464	(0.2)	14.1
% of revenue	6.9	7.5	8.2	6.5	6.4		
EBITDA	8,778	8,758	10,019	11,517	11,678	1.4	33.0
EBITDA margin (%)	47.0	45.8	47.8	51.2	51.0		
EBITDAaL	7,453	7,346	8,563	9,995	10,136	1.4	36.0
EBITDAaL margin (%)	39.9	38.4	40.8	44.4	44.3		
Depreciation and amortisation	4,598	4,957	5,361	5,315	5,312	(0.1)	15.5
EBIT	4,180	3,801	4,658	6,202	6,366	2.6	52.3
Interest	1,657	1,615	1,754	1,802	1,712	(5.0)	3.3
Other income	487	399	491	450	478	6.2	(1.8)
PBT	3,010	2,585	3,395	4,850	5,132	5.8	70.5
Provision for tax	783	656	864	1,184	448	(62.2)	(42.8)
Effective tax rate	26.0	25.4	25.4	24.4	8.7		
Exceptional gain/ (loss)	-	(3,183)	-	1,057	-		
Net income (reported)	2,227	5,112	2,531	2,609	4,684	79.5	110.4
EPS (INR)	4.5	10.2	5.1	5.2	9.4	79.5	110.4

Source: I-Sec research, Company data; Note: EBITDAaL is adjusted for other income and charity & donation

Exhibit 2: Segmental performance - mobile business EBITDA rose 33.9% YoY/ 1.9% QoQ

INR mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Mobile services							
Revenue	18,232	18,604	20,433	21,931	22,249	1.4	22.0
Expenses	9,293	9,676	10,157	10,190	10,280	0.9	10.6
EBITDA	8,939	8,928	10,276	11,741	11,969	1.9	33.9
EBITDA (%)	49.0	48.0	50.3	53.5	53.8		
D&A	4,277	4,825	5,232	5,145	5,216	1.4	22.0
EBIT	4,662	4,103	5,044	6,596	6,753	2.4	44.9
EBIT (%)	25.6	22.1	24.7	30.1	30.4		
Home & office services							
Revenue	547	568	599	645	709	10.0	29.6
Expenses	346	379	411	448	476	6.3	37.5
EBITDA	201	189	188	197	233	18.3	15.9
EBITDA (%)	36.7	33.3	31.4	30.6	32.9		
D&A	112	132	129	170	220	29.4	96.4
EBIT	89	57	59	27	13	(51.9)	(85.4)
EBIT (%)	16.3	10.0	9.8	4.2	1.8		

Source: I-Sec research, Company data

Exhibit 3: Mobile services KPIs – ARPU rose 0.1% QoQ/ 18.4% YoY

	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Subscribers (mn)	27.3	27.6	27.1	27.6	28.1	1.9	2.9
Net adds (mn)	0.56	0.26	(0.47)	0.49	0.51		
Blended churn (%)	2.0	2.5	3.2	1.9	1.8		
ARPU (INR)	204	205	228	241	242	0.1	18.4
Minutes of Use (min/subs)	1,120	1,086	1,098	1,150	1,139	(1.0)	1.7
Minutes on Network (mn)	90,882	89,426	89,920	94,379	95,294	1.0	4.9
Incremental mins (QoQ, mn)	4,202	(1,457)	495	4,458	915		
2G cell sites	25,704	25,972	26,172	26,335	26,497	0.6	3.1

Source: I-Sec research, Company data

Exhibit 4: Data services KPIs – Smartphone data subs rose 2.5% QoQ/ 9.1% YoY

	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Data							
Data subs (mn)	19.8	20.5	20.6	21.0	21.6	2.5	9.1
Net adds (mn)	0.63	0.69	0.13	0.45	0.53		
As % of total subs	72.3	74.1	75.9	76.2	76.7		
Data usage per sub (MB)	24,543	25,678	25,934	26,210	27,740	5.8	13.0
Data volume (mn MB)	14,29,940	15,44,921	15,97,832	16,33,360	17,65,267	8.1	23.5
Incremental data (QoQ, mn MB)	1,26,245	1,14,980	52,912	35,528	1,31,907		
Smartphone data subs (mn)	19.8	20.5	20.6	21.0	21.6	2.5	9.1
Net adds (mn)	0.63	0.69	0.13	0.45	0.53		
MBB cell sites	79,835	80,500	80,907	81,340	81,840	0.6	2.5
Net adds	2,100	665	407	433	500		

Source: I-Sec research, Company data

Exhibit 5: Home services KPIs – subs growth remains strong 13.3% QoQ/ 46.9% YoY

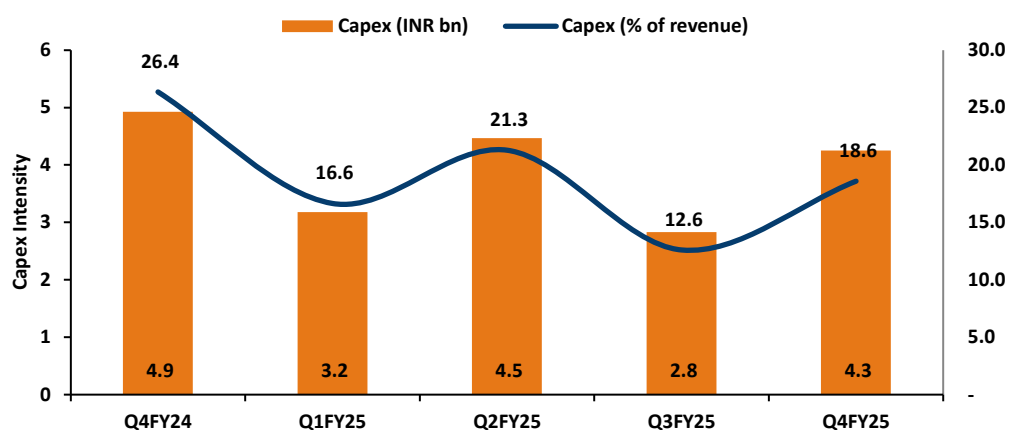
	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Home subs ('000)	305	321	351	395	448	13.3	46.9
Net add ('000)	16.3	16.2	30.2	44.0	52.7		
ARPU	522	514	509	499	490	(1.8)	(6.0)
Growth (% qoq)	(2.8)	(1.5)	(0.9)	(2.0)	(1.8)		

Source: I-Sec research, Company data

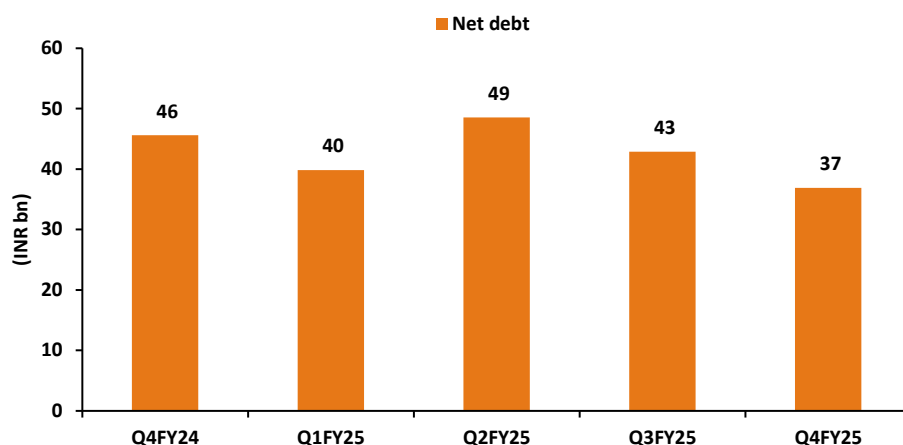
Exhibit 6: Cashflow analysis

INR mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Operating cashflow	8,949	8,610	8,569	10,207	10,532	3.2	17.7
Less: Lease cost	(702)	(755)	(750)	(1,004)	(953)		
Interest expenses	(1,315)	(1,728)	(1,661)	(671)	(1,335)		
Operating cashflow	6,932	6,127	6,158	8,532	8,244	(3.4)	18.9
Less Capex (incl spectrum)	(4,902)	(4,728)	(5,252)	(4,025)	(11,167)		
FCF	2,030	1,399	906	4,507	(2,923)		
Change in working capital	(2,791)	4,475	1,826	631	631		
Cashflow available for debt payment	(761)	5,874	2,732	5,138	(2,292)	(144.6)	201.0

Source: I-Sec research, Company data

Exhibit 7: Capex intensity at 18.6% of revenue


Source: I-Sec research, Company data

Exhibit 8: Net debt fell INR 6bn to INR 37bn in Q4FY25


Source: I-Sec research, Company data

Exhibit 9: EV/EBITDA based valuation

	FY27E
EBITDA (INR mn)	55,304
EV/EBITDA multiple	15.0
Enterprise value (INR mn)	8,29,560
Net debt (INR mn)	(996)
Equity value (INR mn)	8,30,556
No of outstanding shares (mn)	500
Value per share (INR)	1,660

Source: I-Sec research, Company data

Exhibit 10: Earnings revision

INR mn	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
KPI's						
Subs (mn)	29	30	29	30	0.8	0.7
ARPU (INR)	261	293	261	287	0.1	1.8
Financial (INR mn)						
Revenue	1,00,504	1,15,342	1,00,113	1,13,075	0.4	2.0
EBITDA	52,951	63,596	51,927	60,901	2.0	4.4
EBITDA margin (%)	52.7	55.1	51.9	53.9		
PAT	20,251	27,630	18,155	24,213	11.5	14.1
EPS (INR)	40.5	55.3	36.3	48.4	11.5	14.1

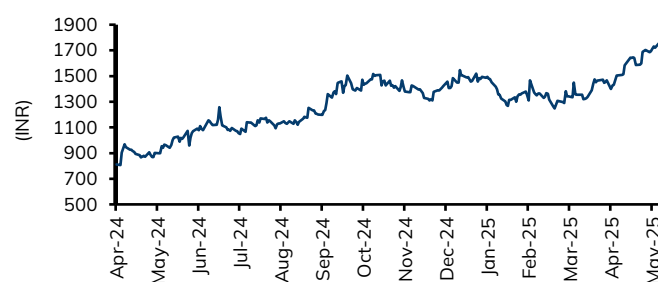
Source: I-Sec research, Company data

Exhibit 11: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	70.0	70.0	70.0
Institutional investors	13.7	14.2	14.3
MFs and others	7.7	8.2	8.4
FIs/Banks	0.0	0.0	0.0
Insurance	1.0	1.0	1.5
FII's	5.2	5.0	4.4
Others	16.1	15.8	15.7

Source: Bloomberg, I-Sec research

Exhibit 12: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	70,888	85,479	1,00,504	1,15,342
Operating Expenses	37,276	43,507	47,553	51,746
EBITDA	33,612	41,972	52,951	63,596
EBITDA Margin (%)	47.4	49.1	52.7	55.1
Depreciation & Amortization	17,392	20,945	21,914	22,935
EBIT	16,220	21,027	31,037	40,661
Interest expenditure	6,444	6,883	5,873	5,727
Other Non-operating Income	2,487	1,818	1,909	2,004
Recurring PBT	12,263	15,962	27,073	36,938
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	4,189	3,152	6,822	9,308
PAT	5,044	14,936	20,251	27,630
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	5,044	14,936	20,251	27,630
Net Income (Adjusted)	8,074	13,341	20,251	27,630

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	21,596	18,444	34,013	50,648
of which cash & cash eqv.	743	370	13,561	28,056
Total Current Liabilities & Provisions	55,090	57,136	64,517	71,342
Net Current Assets	(33,494)	(38,692)	(30,504)	(20,694)
Investments	2,376	739	739	739
Net Fixed Assets	1,11,999	1,19,659	1,17,397	1,15,253
ROU Assets	28,596	30,643	30,643	30,643
Capital Work-in-Progress	4,445	2,973	2,973	2,973
Total Intangible Assets	-	-	-	-
Other assets	12,029	12,805	14,454	15,924
Deferred Tax Assets	8,578	10,220	10,220	10,220
Total Assets	1,85,174	1,92,510	2,07,465	2,23,427
Liabilities				
Borrowings	48,346	37,799	32,799	27,799
Deferred Tax Liability	6,817	7,129	8,382	9,620
Provisions	228	263	309	355
Other Liabilities	-	172	-	-
Equity Share Capital	2,500	2,500	2,500	2,500
Reserves & Surplus	43,887	56,821	68,267	81,121
Total Net Worth	46,387	59,321	70,767	83,621
Minority Interest	-	-	-	-
Total Liabilities	1,85,174	1,92,510	2,07,465	2,23,427

Source Company data, I-Sec research

Exhibit 15: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	19,106	20,976	22,507	22,890
% growth (YOY)	13.6	20.7	25.0	22.5
EBITDA	8,758	10,019	11,517	11,678
Margin %	45.8	47.8	51.2	51.0
Other Income	399	491	450	478
Extraordinaries	(3,183)	-	1,057	-
Adjusted Net Profit	5,112	2,531	2,609	4,684

Source Company data, I-Sec research

Exhibit 16: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	34,764	36,963	46,128	54,287
Working Capital Changes	697	8,863	4,482	4,498
Capital Commitments	(20,935)	(25,309)	(15,000)	(15,750)
Free Cashflow	14,526	20,517	35,611	43,035
Other investing cashflow	9,384	1,903	1,909	2,004
Cashflow from Investing Activities	9,384	1,903	1,909	2,004
Issue of Share Capital	-	-	-	-
Interest Cost	(5,356)	(5,395)	(5,873)	(5,727)
Inc (Dec) in Borrowings	(15,000)	(11,790)	(5,000)	(5,000)
Dividend paid	(750)	(2,000)	(8,804)	(14,776)
Others	-	-	-	-
Cash flow from Financing Activities	(24,036)	(22,647)	(24,329)	(30,544)
Chg. in Cash & Bank balance	(126)	(227)	13,191	14,496
Closing cash & balance	398	171	13,561	28,056

Source Company data, I-Sec research

Exhibit 17: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	10.1	29.9	40.5	55.3
Adjusted EPS (Diluted)	16.1	26.7	40.5	55.3
Cash EPS	43.2	60.0	75.0	91.0
Dividend per share (DPS)	4.0	10.0	17.6	29.6
Book Value per share (BV)	92.8	118.6	141.5	167.2
Dividend Payout (%)	39.7	33.5	43.5	53.5
Growth (%)				
Net Sales	7.7	20.6	17.6	14.8
EBITDA	20.7	24.9	26.2	20.1
EPS (INR)	(8.2)	196.1	35.6	36.4
Valuation Ratios (x)				
P/E	168.4	56.9	41.9	30.7
P/CEPS	39.3	28.3	22.6	18.7
P/BV	18.3	14.3	12.0	10.2
EV / EBITDA	26.6	21.1	16.4	13.3
EV / Sales	12.6	10.4	8.6	7.4
Dividend Yield (%)	0.2	0.6	1.0	1.7
Operating Ratios				
Gross Profit Margins (%)	-	-	-	-
EBITDA Margins (%)	47.4	49.1	52.7	55.1
Effective Tax Rate (%)	34.2	19.7	25.2	25.2
Net Profit Margins (%)	7.1	17.5	20.1	24.0
NWC / Total Assets (%)	(18.1)	(20.1)	(14.7)	(9.3)
Net Debt / Equity (x)	1.0	0.6	0.3	0.0
Net Debt / EBITDA (x)	1.3	0.9	0.3	0.0
Profitability Ratios				
RoCE (%)	10.7	17.6	23.1	28.3
RoE (%)	11.4	28.3	31.1	35.8
RoIC (%)	11.5	18.0	25.1	35.4
Fixed Asset Turnover (x)	0.6	0.7	0.9	1.0
Inventory Turnover Days	-	-	-	-
Receivables Days	22.9	4.6	4.6	4.6
Payables Days	76.5	67.7	65.0	62.4

Source Company data, I-Sec research

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