

# Bharti Hexacom



## A preferred play on India's wireless growth story

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## A preferred play on India's wireless growth story

Bharti Hexacom (Hexacom), the licensed operator of wireless and fixed-line services under the Airtel brand in Rajasthan and North East circles, provides pure-play exposure to the two high-growth businesses of Airtel – India wireless and Home broadband. Moreover, given lower teledensity and lower internet penetration in Hexacom circles (vs. pan-India), we believe Hexacom can potentially grow a few percentage points faster than Airtel on both subscribers and ARPU. Further, with significantly lower penetration of fixed broadband in Hexacom's circles and the recent ramp-up of Fixed Wireless Access (FWA) offerings, we believe Hexacom's wired broadband business could also grow at a faster clip. We initiate coverage on Hexacom with a BUY rating and a TP of INR1,625, premised on 13x FY27E EV/EBITDA (on par with our Airtel's India wireless multiple). Our preference for Hexacom over Airtel is largely driven by lower capital misallocation concerns.

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BSE Sensex  
74,333

 S&P CNX  
22,553

**CMP: INR1,328**
**TP: INR1,625 (+22%)**
**Buy**

**BHARTI HEXACOM LIMITED**
**Stock Info**

Bloomberg	BHARTIHE IN
Equity Shares (m)	500
M.Cap.(INRb)/(USDb)	664 / 7.6
52-Week Range (INR)	1609 / 755
1, 6, 12 Rel. Per (%)	-5/20/-
12M Avg Val (INR M)	1192
Free float (%)	30.0

**Financial Snapshot (INR b)**

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	85.4	98.1	112.3
EBITDA	42.1	51.7	62.8
PAT	13.8	19.2	28.1
EPS (INR)	23.4	38.3	56.2
GR. (%)	45.0%	63.6%	46.7%
BV/Sh (INR)	116.4	142.7	180.9

**Ratios**

ROE (%)	22.4	29.6	34.7
RoCE (%)	12.6	17.8	25.3

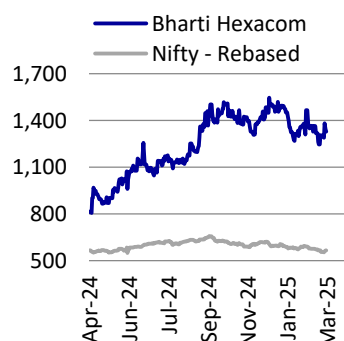
**Valuations**

P/E (X)	56.7	34.7	23.6
P/BV (X)	11.4	9.3	7.3
EV/EBITDA (X)	17.5	13.9	11.0
Div Yield (%)	0.9	1.4	1.9

**Shareholding pattern (%)**

As On	Dec-24	Sep-24
Promoter	70.0	70.0
DII	9.3	8.9
FII	5.0	5.1
Others	15.7	16.1

FII Includes depository receipts

**Stock's performance (one-year)**


## A preferred play on India's wireless growth story

### Play on Airtel's high-growth businesses with a longer runway for growth

Bharti Hexacom (Hexacom), the licensed operator of wireless and fixed-line services under the Airtel brand in Rajasthan and North East circles, provides pure-play exposure to the two high-growth businesses of Airtel – India wireless and Home broadband. Moreover, given lower teledensity and lower internet penetration in Hexacom circles (vs. pan-India), we believe Hexacom can potentially grow a few percentage points faster than Airtel on both subscribers and ARPU. Further, with significantly lower penetration of fixed broadband in Hexacom's circles and the recent ramp-up of Fixed Wireless Access (FWA) offerings, we believe Hexacom's wired broadband business could also grow at a faster clip. **We initiate coverage on Hexacom with a BUY rating and a TP of INR1,625, premised on 13x FY27E EV/EBITDA (on par with our Airtel's India wireless multiple).** Our preference for Hexacom over Airtel is largely driven by lower capital misallocation concerns.

### Presence in under-penetrated circles offers a longer runway for growth

Hexacom provides wireless, fixed broadband, and Enterprise services in Rajasthan and North East Circles. Hexacom's circles account for ~6% of India's GDP and ~7% of India's population. However, wireless telephony penetration in Hexacom circles is a few percentage points lower than pan-India levels. Further, internet penetration (both wireless and fixed broadband) is also lower than pan-India levels, which provides a longer runway for growth through higher subscriber growth, ARPU improvements, and non-data-to-data upgrades.

### Lower competitive intensity in Hexacom circles to improve margins

Given Vi's cash constraints, it had to de-prioritize spends in the North East circle, making it an effective duopoly with the top two telcos accounting for ~84% subscriber market share (SMS) and higher ~92% access revenue market share (RMS). Overall, Hexacom circles are more consolidated, with the top two telcos accounting for ~77% SMS (vs. 73% pan-India share) and ~88% RMS (vs. ~81% pan-India). Higher consolidation of market share theoretically provides better pricing power and lower customer acquisition costs, thereby boosting margin. However, on the flip side, the scope of growth from further SMS gains would be lower in Hexacom circles.

### Lower capital misallocation worries drive our preference for Hexacom

Driven by tariff repair, FCF has improved significantly (~5% yield) for both Airtel and Hexacom. With the repayment of high-cost debt largely behind and leverage ratios in a comfortable range, we believe the biggest investor worry about Airtel's story is around capital allocation ([link](#)). Recently, Airtel's Chairman indicated that the company could look for overseas acquisitions in the medium term. We note that Airtel's past track record on overseas acquisitions has been a mixed bag, as it took them nearly a decade to turn around the Africa operations, while the company could not scale up forays into South Asia.

We note Airtel has no immediate plans any acquisition, but we would be wary of any potential overseas acquisition. Conversely, given limited avenues for inorganic growth opportunities, we expect Hexacom's FCF deployment to be restricted to deleveraging the balance sheet and improving shareholder returns. Lower capital misallocation worries drive our preference for Hexacom (vs. Airtel), even at a slight premium as Hexacom trades at ~15% premium to Airtel's India business (excluding Indus), on our estimates. We ascribe a 13x FY27 EV/EBITDA to Hexacom (at par with our DCF implied ~13x FY27 for Airtel's India wireless business) in our base case.

### **Hexacom in close competition with RJio on subscriber market share (SMS)**

Given Bharti's focus on improving rural connectivity, Hexacom is witnessing accelerated market share gains in both its circles. Hexacom is the undisputed leader on SMS in the North East with ~50%+ SMS, having gained ~500bp (vs. ~100bp for RJio) over the last three years. Similarly, Hexacom gained ~210bp SMS in Rajasthan (vs. ~140bp for RJio) over the last three years to boost its SMS to 35.5%. We note that Hexacom's blended SMS at ~38% is significantly higher than Airtel's pan-India SMS of ~33%. Put another way, compared to the ~700bp gap with RJio on SMS on a pan-India basis, Hexacom trails RJio by a modest ~150bp. Further, the gap between Bharti and RJio on the Visitor Location Registry (VLR or peak-active subs) is even lower at a modest ~70bp (vs. ~600bp on pan-India basis).

### **Industry-leading ARPU driven by premiumization of the subscriber mix**

Bharti's continued focus on premiumization, upgrading non-data subs to data, prepaid subs to postpaid subs, and ultimately to converged homes has led to industry-leading ARPU on a pan-India basis. Hexacom follows a similar strategy and is the market leader on ARPU in both its circles, benefiting from tariff repair and also a significant improvement in its data subscriber proportion to ~76% by 9MFY25 from ~56% in FY21.

### **Hexacom poised to become the RMS leader by end-FY25**

Driven by higher SMS gains, a boost from non-data to data upgrades, and superior execution on its premiumization agenda, Hexacom has been gaining market share in both Rajasthan (RMS up ~13pp over last five years) and the North East (undisputed leader with ~57% RMS). Over Sep'19-Sep'24, Hexacom's AGR surged ~3.5x (vs. 2x for RJio and ~45% for Vi), which has led to a reduction in the RMS gap between Hexacom and RJio to a modest ~20bp in Sep'24 (vs. ~300bp gap with Airtel on a pan-India basis). Further, given Bharti's outperformance over RJio for the past several quarters, we expect Bharti Hexacom to become the RMS leader in its circles by the end of FY25.

### **Valuation and view: Initiate coverage with a BUY rating**

- We build in ~23% EBITDA CAGR over FY24-27 for Hexacom, driven by: 1) ~13% wireless ARPU CAGR on account of ~15% (or INR50/month) increase on the base plan from Dec'25, 2) continued market share gains, 3) robust ~75% incremental margins, and 4) ramp-up of FWA services, given the lower penetration of Home Broadband in Hexacom circles.
- Hexacom has been up ~2.3x from its IPO price (since Apr'24), led by inexpensive IPO valuations (~7x FY26 EV/EBITDA vs. ~9-10x multiple at that time for peers), wireless tariff hike, continued market share gains, and margin expansions.

- Since Hexacom's listing day, it has typically traded at a premium to Bharti Airtel. The premium looks optically higher as Airtel's EBITDA includes full EBITDA contribution from Airtel Africa and Indus Towers, but holds ~61.5% and ~50% stakes.
- Adjusting for Bharti's stake in Airtel Africa and Indus Towers, we believe Hexacom's average EV/EBITDA premium to Bharti's India business has been ~15%.
- Currently, Hexacom trades at ~14.4x one-year forward EV/EBITDA (~15% premium to implied valuation for Bharti's India business). Given its slightly higher growth, superior return ratios, and lower capital misallocation overhangs, we believe Hexacom could continue to trade at a premium to Bharti's India business.
- We value Hexacom on an SoTP basis. We value the wireless business on a DCF (WACC: 10.5%, terminal growth: 4.5%) to arrive at an Enterprise value of INR822b, implying ~13x FY27 EV/EBITDA (on par with our DCF implied 13x FY27 EV/EBITDA multiple for Bharti's India wireless segment). We use the same DCF-implied multiple for the homes & offices segment to arrive at our TP of INR1,625.
- Our scenario analysis indicates a favorable risk-reward for Hexacom with ~41% upside in our bull case TP of INR1,875, premised on a 20% tariff hike in Dec'25, followed by ~7% ARPU CAGR over FY27-34 and a modest ~13% downside in our bear case TP of INR1,150, which is premised on ~10% tariff hike in Dec'25, followed by ~5% ARPU CAGR over FY27-34. **We initiate coverage on Hexacom with a BUY rating and a TP of INR1,625 (implying a 22% upside).**
- **Key risks:** 1) increase in competitive intensity, 2) adverse regulatory environment, 3) concentration in select states, 4) dependence on the parent, Bharti Airtel, and 5) merger with Airtel at an unfavorable swap ratio.

**Exhibit 1: We ascribe a TP of INR1,625 to Hexacom**

	Valuation base (INR b)		Multiple (X)		Valuation	
	Mar'27 EBITDA		EBITDA	Other	(INR b)	(INR/sh)
<b>Hexacom</b>						
<b>Mobility</b>	<b>63</b>		<b>13.0</b>	<b>DCF implied</b>	<b>822</b>	<b>1,644</b>
Homes and offices	2		13.0		28	55
<b>Hexacom EV</b>	<b>65</b>		<b>13.0</b>		<b>850</b>	<b>1,699</b>
Net debt (including leases)					52	104
Dividends					15	30
<b>Hexacom equity value</b>					<b>812</b>	<b>1,625</b>

Source: MOFSL, Company

**Exhibit 2: Scenario analysis for Hexacom's mobility business implies a favorable risk-reward**

	Base	Bear	Bull
<b>Hexacom- wireless</b>			
10-year subscriber CAGR	1.6%	1.3%	1.3%
<b>10-year ARPU CAGR</b>	<b>8.2%</b>	<b>6.9%</b>	<b>9.4%</b>
INR 300 ARPU achieved by	FY28	FY29	FY27
10-yr revenue CAGR	10.0%	7.9%	10.6%
<b>10-yr EBITDA CAGR</b>	<b>12.0%</b>	<b>9.3%</b>	<b>13.1%</b>
<b>Enterprise value (INR b)</b>	<b>822</b>	<b>597</b>	<b>942</b>
<i>Implied FY2027E EV/EBITDA (x)</i>	<i>13.0</i>	<i>11.0</i>	<i>14.6</i>
<b>Hexacom wireless Enterprise value (INR/share)</b>	<b>1,644</b>	<b>1,194</b>	<b>1,884</b>
<b>Hexacom SoTP based TP (INR/share)</b>	<b>1,625</b>	<b>1,150</b>	<b>1,875</b>
<i>Upside / downside to CMP</i>	<i>22%</i>	<i>-13%</i>	<i>41%</i>

Source: MOFSL, Company

# STORY IN CHARTS

## KEY INVESTMENT ARGUMENT

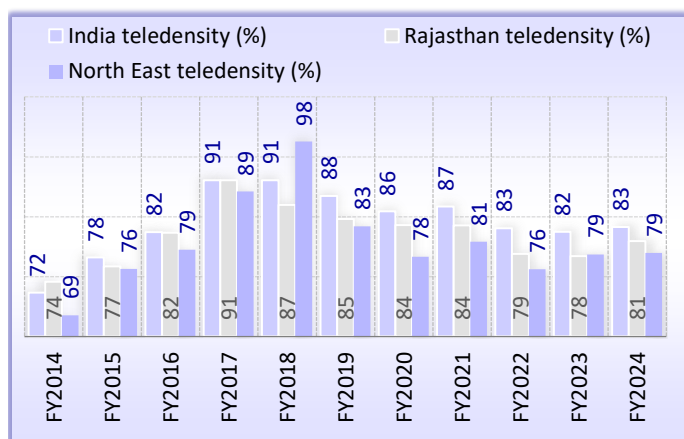
- 01** Presence in under-penetrated circles offers a longer runway for growth

Lower competitive intensity in Hexacom circles to improve margins
- 03** Lower capital misallocation worries drive our preference for Hexacom

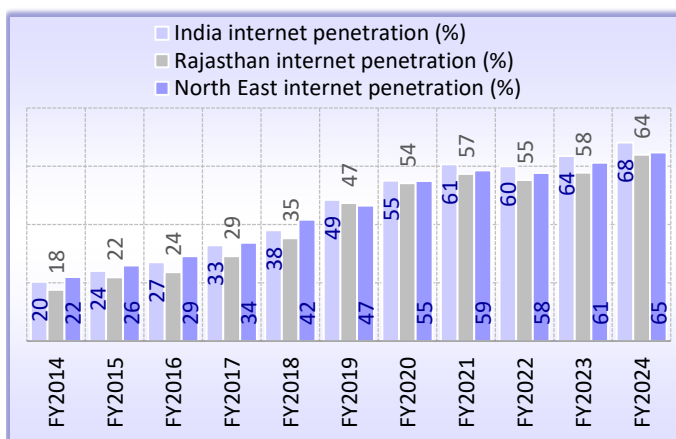
Hexacom in close competition with RJio on subscriber market share (SMS)
- 05** Industry-leading ARPU driven by premiumization of the subscriber mix

Hexacom poised to become the RMS leader by end-FY25

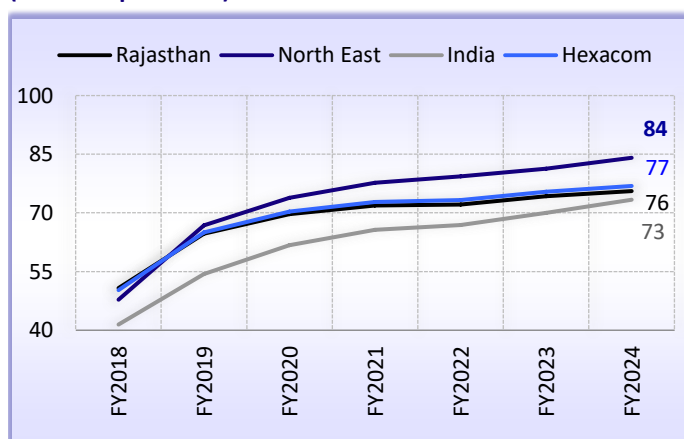
**Tele-density in Hexacom circles relatively lower vs. pan-India teledensity**



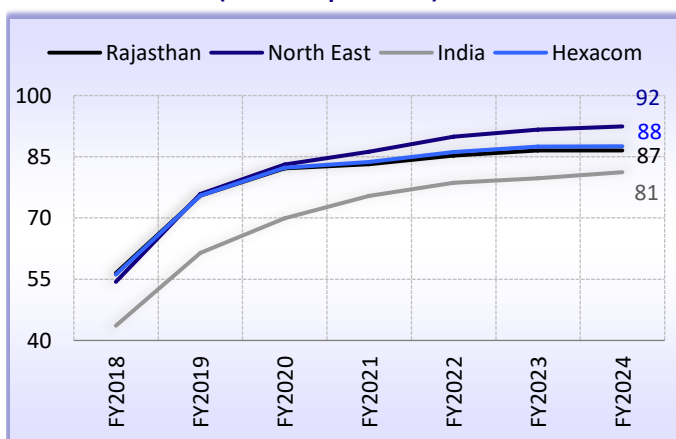
**Internet penetration also slightly lower in Hexacom circles**



**Top two telcos account for ~77% of SMS in Hexacom circles (vs. ~73% pan India)**

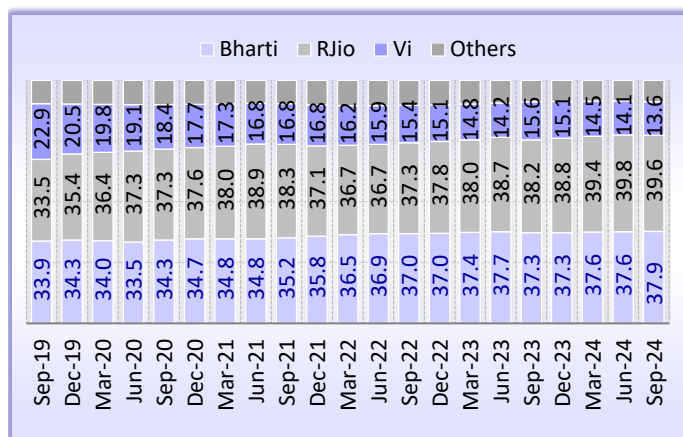


**The top two telcos account for ~88% share of access revenue in Hexacom circles (vs. ~81% pan India)**

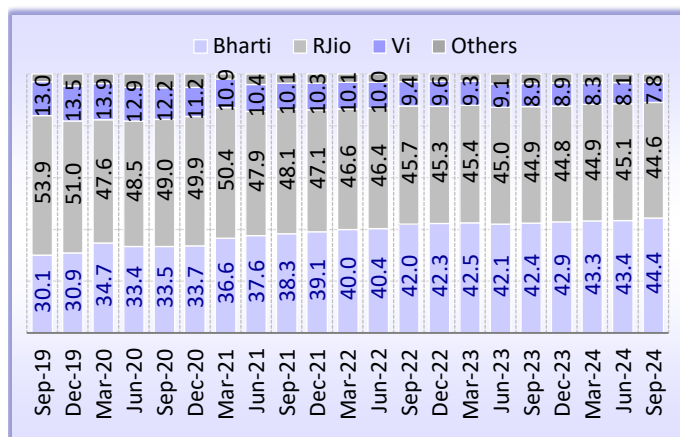




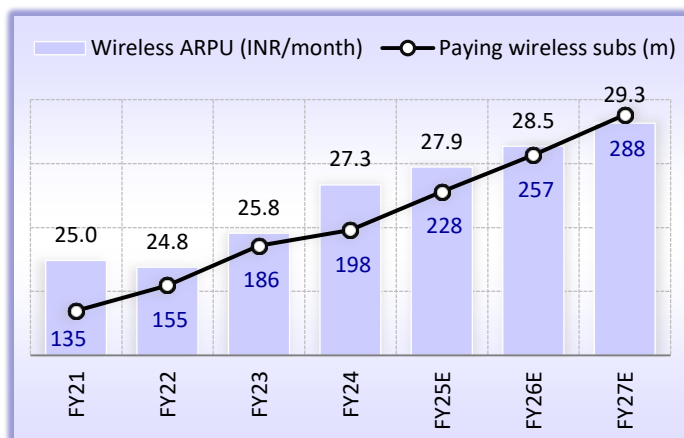
**Bharti's subscriber market share is significantly higher in Hexacom circles at ~38% (vs. ~33% pan-India)**



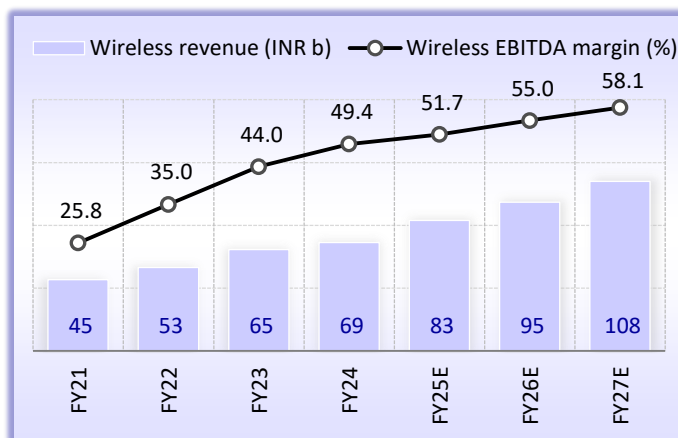
**Hexacom on course to achieve RMS leadership in its relevant circles by FY25-end (in %)**



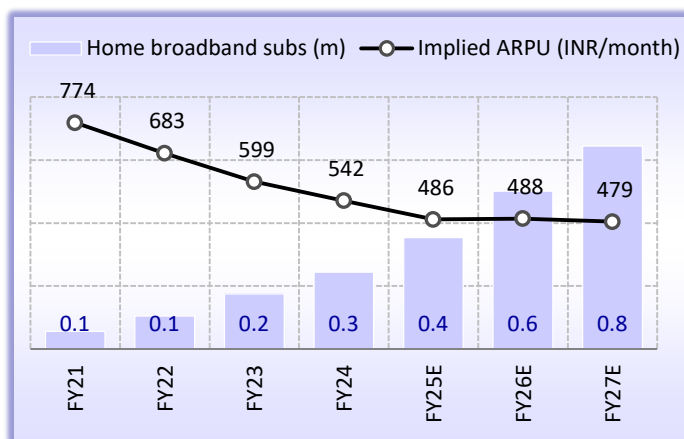
**Expect ~2%/13% CAGR in Hexacom's paying wireless subs and wireless ARPU over FY24-27**



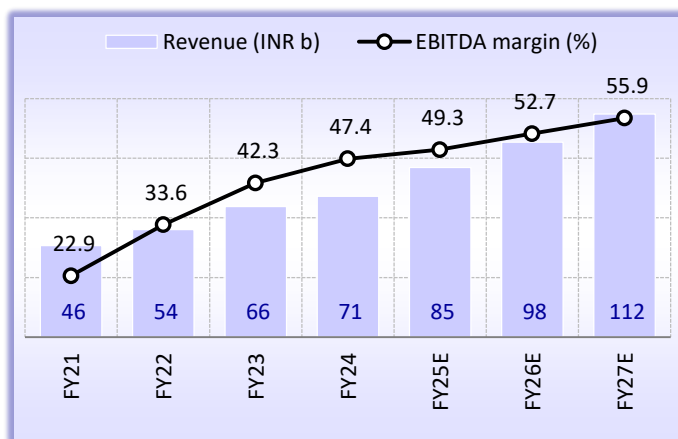
**Expect ~16%/23% wireless revenue/EBITDA CAGR for Hexacom over FY24-27**



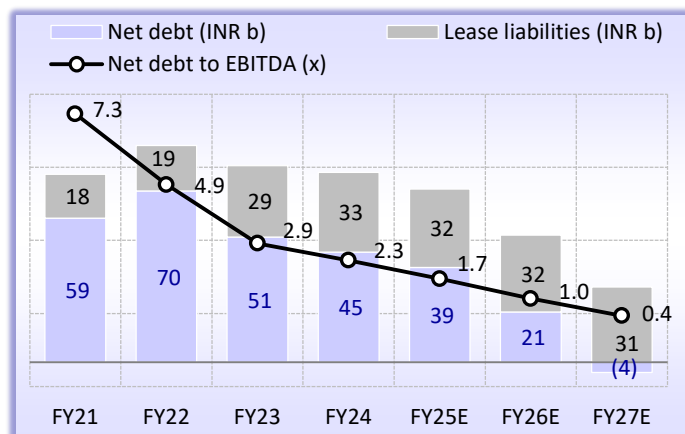
**Expect a fast-paced growth in Hexacom's home broadband subscriber base; ARPU likely to trend lower**



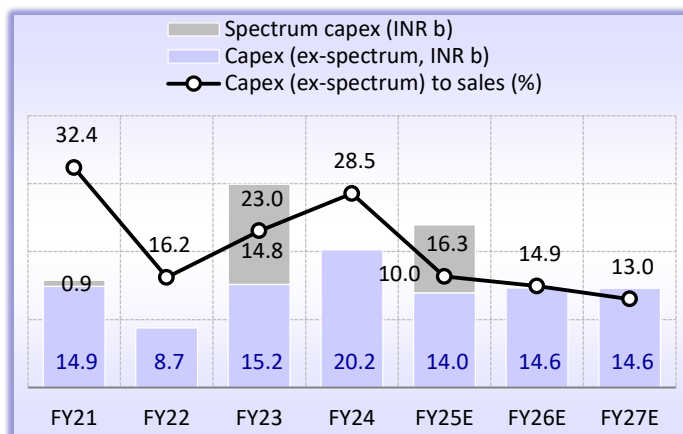
**Expect ~17%/23% overall revenue/EBITDA CAGR for Hexacom over FY24-27**



### Expect Hexacom to turn net cash (excluding lease liabilities) by FY27



### Hexacom's capex (ex-spectrum) as a % of sales to moderate over FY24-27E



### We build in ~23% EBITDA CAGR over FY24-27E, driven by ~13% ARPU CAGR, in our base case (%)

FY24-27E	Bear	Base	Bull
Paying subs	1.8	2.3	1.8
Wireless ARPU	11.4	13.3	15.1
Wireless revenue	13.2	16.0	18.2
Wireless EBITDA	16.6	22.7	23.5

Source: MOFSL, Company

### We build in ~8% EBITDA CAGR over FY27-34E, driven by ~6% ARPU CAGR, in our base case (%)

FY27-34E	Bear	Base	Bull
Paying subs	1.0	1.3	1.0
Wireless ARPU	5.0	6.1	7.0
Wireless revenue	5.7	7.5	7.5
Wireless EBITDA	6.4	7.7	9.0

### Risk-reward appears favorable for Hexacom (%)

	Bear	Base	Bull
<b>Hexacom- wireless</b>			
10-year subscriber CAGR	1.3	1.6	1.3
<b>10-year ARPU CAGR</b>	<b>6.9</b>	<b>8.2</b>	<b>9.4</b>
INR300 ARPU achieved by	FY29	FY28	FY27
10-yr revenue CAGR	7.9	10.0	10.6
<b>10-yr EBITDA CAGR</b>	<b>9.3</b>	<b>12.0</b>	<b>13.1</b>
<b>Enterprise value (INR b)</b>	<b>597</b>	<b>822</b>	<b>942</b>
Implied FY2027E EV/EBITDA (x)	11.0	13.0	14.6
<b>Hexacom wireless Enterprise Value (INR/share)</b>	<b>1,194</b>	<b>1,644</b>	<b>1,884</b>
<b>Hexacom SoTP-based TP (INR/share)</b>	<b>1,150</b>	<b>1,625</b>	<b>1,875</b>
Upside / downside to CMP	-13	22	41

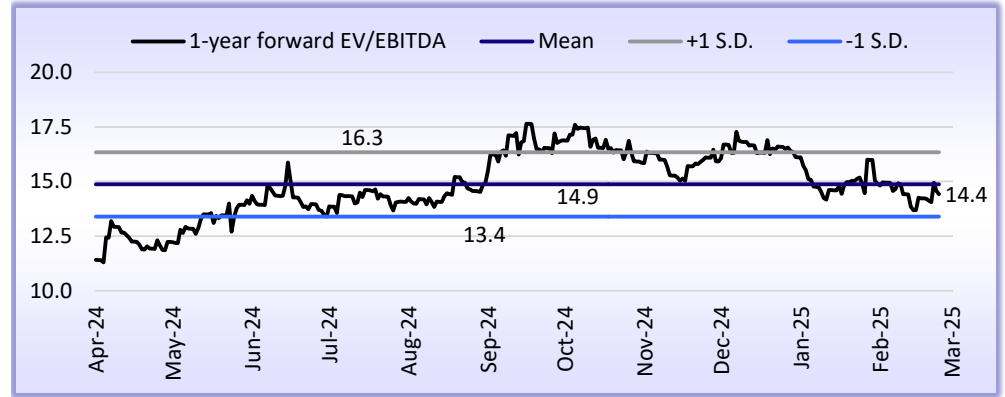
Source: MOFSL, Company

### For every INR10 change in ARPU, Hexacom's TP could change by ~INR61/share (or ~3.8%)

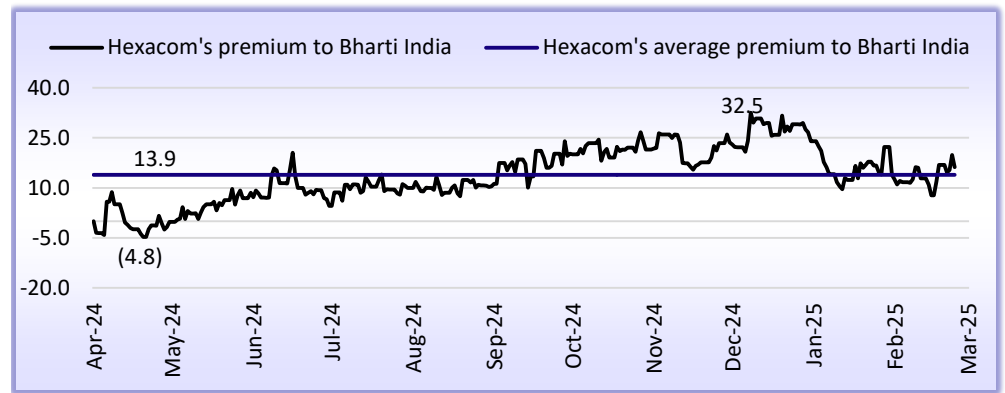
TP (INR/share)	FY27E wireless ARPU (INR)				
	268	278	288	298	308
<b>28.3</b>	1,475	1,535	1,595	1,654	1,714
<b>28.8</b>	1,489	1,549	1,610	1,670	1,730
<b>29.3</b>	1,503	1,564	<b>1,625</b>	1,686	1,747
<b>29.8</b>	1,517	1,579	1,640	1,701	1,763
<b>30.3</b>	1,531	1,593	1,655	1,717	1,779



**Hexacom currently trades at ~14.4x rolling one-year forward EV/EBITDA**



**Hexacom trades at ~15% premium to the implied 1-year forward EV/EBITDA valuation for Bharti India**



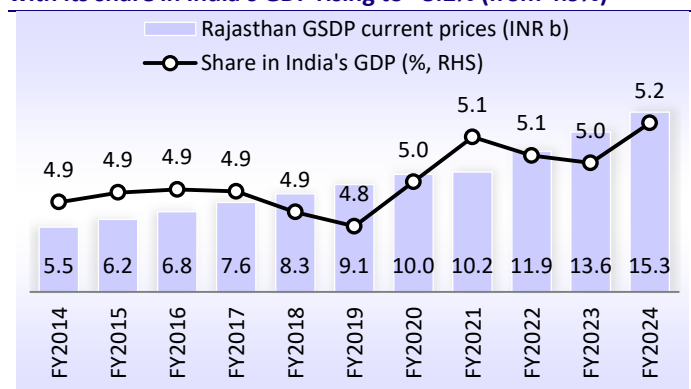
## Greater potential for growth in Hexacom circles

Despite outpacing on growth, the per-capita GSDP for both Rajasthan and North East states are ~14% lower as compared to India's per capita GDP, as of FY23.

### Hexacom circles outpacing on GSDP growth, per capita GSDP ~14% below all-India levels

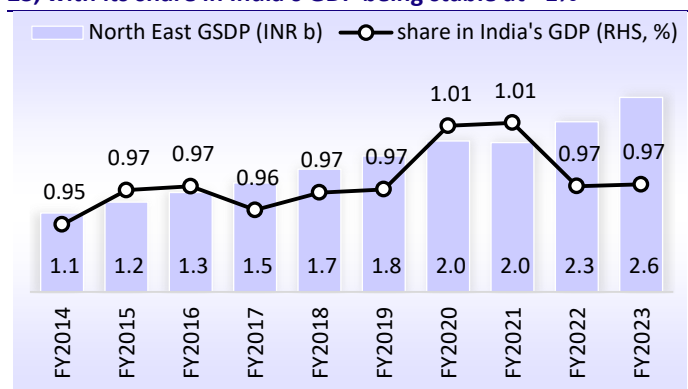
- Hexacom offers wireless, fixed broadband, and Enterprise services in Rajasthan (RJ) and North East (NE) circles. North East Circle comprises states such as Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura. During FY14-23, gross state domestic product (GSDP) for both Rajasthan and North East states has outpaced the Indian gross domestic product (GDP). Together, the two Hexacom circles account for ~6% of India's total GDP, as of FY23.
- Similarly, the population growth in both Rajasthan and North East states has outpaced India's population growth over FY14-24, with the share in India's population rising ~20bp to 7% over FY14-24.
- Despite outpacing on growth, the per-capita GSDP for both Rajasthan and North East states are ~14% lower as compared to India's per capita GDP, as of FY23.

**Exhibit 3: Rajasthan's GSDP posted ~11% CAGR over FY14-24, with its share in India's GDP rising to ~5.2% (from 4.9%)**



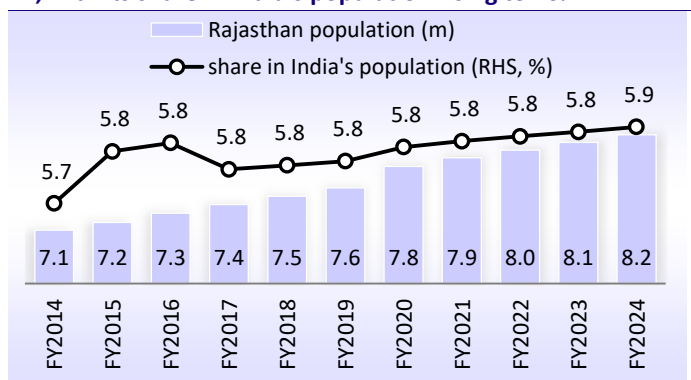
Source: MoSPI, MOFSL, Company

**Exhibit 4: North-East GSDP clocked ~10.5% CAGR over FY14-23, with its share in India's GDP being stable at ~1%**



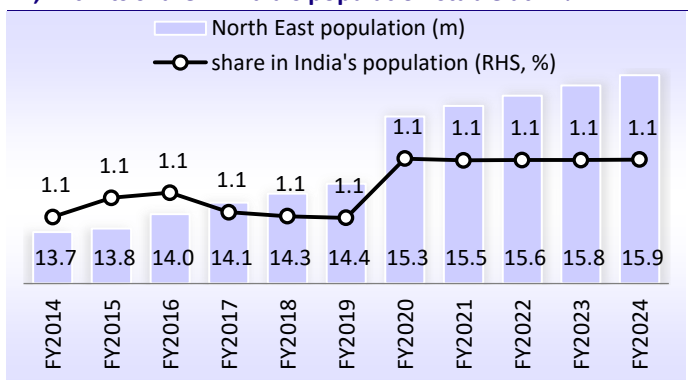
Source: MoSPI, MOFSL, Company

**Exhibit 5: RJ recorded ~1.4% CAGR in population over FY14-24, with its share in India's population rising to ~6%**



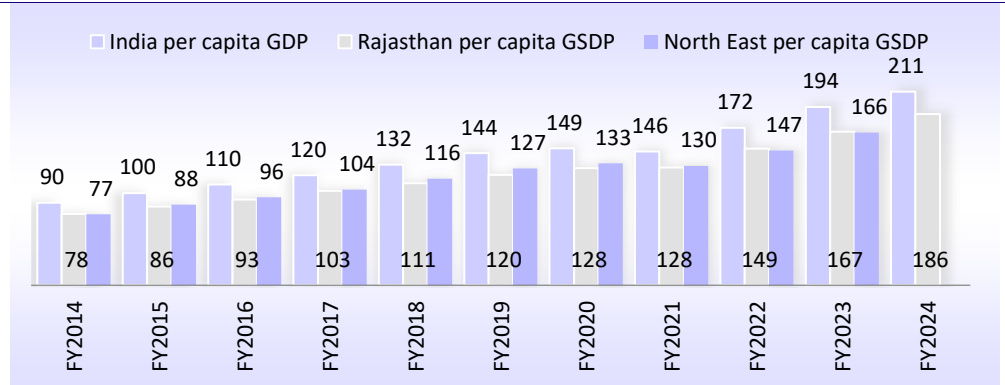
Source: MoSPI, MOFSL, Company

**Exhibit 6: NE recorded ~1.5% CAGR in population over FY14-24, with its share in India's population stable at ~1%**



Source: MoSPI, MOFSL, Company

**Exhibit 7: Per capita GDP for North East and Rajasthan trail India's per capita GDP by ~14% (in INR'000)**



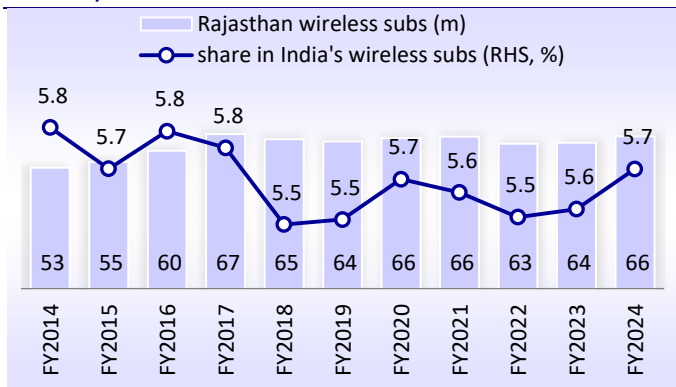
Source: MoSPI, TRAI, MOFSL, Company

Tele-density (a measure of telecom penetration) in Rajasthan at ~81% and North East at ~79% is below pan-India teledensity of 83% and provides a longer runway for growth.

**Lower telecom penetration provides more headroom for growth**

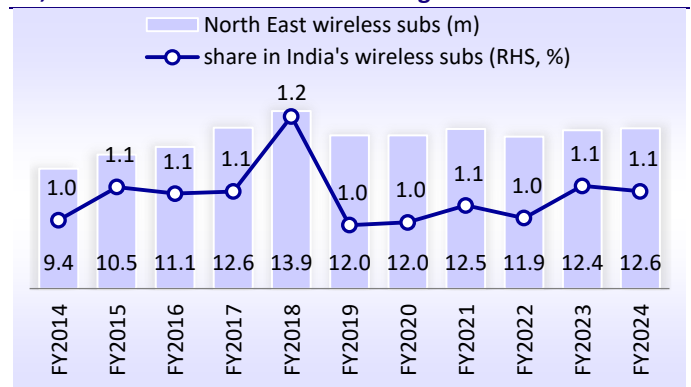
As compared to ~7% share in India's population, Rajasthan and North East circles account for a slightly lower ~6.8% share of India's overall wireless subs. Tele-density (a measure of telecom penetration) in Rajasthan at ~81% and North East at ~79% is below pan-India teledensity of 83% and provides a longer runway for growth. Further, we note the share of the rural population at ~73% is significantly higher in Rajasthan vs. ~64% share pan-India.

**Exhibit 8: RJ recorded ~2.3% CAGR in wireless subs over FY14-24, with its share in India's subs stable at ~5.7%**



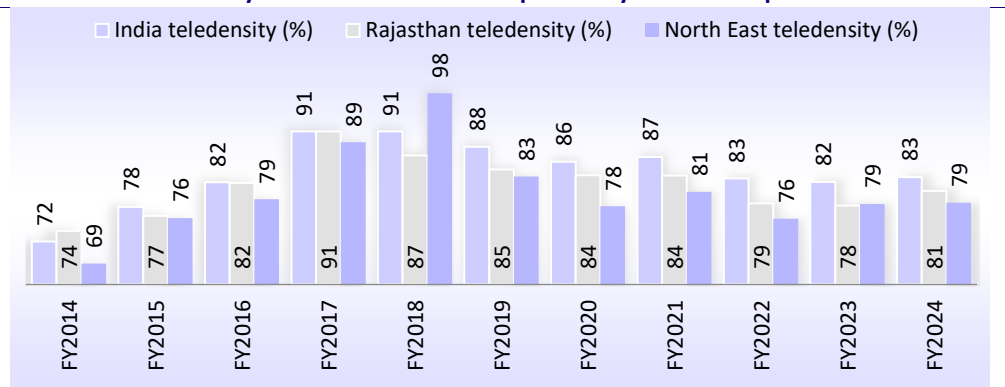
Source: TRAI, MOFSL, Company

**Exhibit 9: NE recorded ~3% CAGR in wireless subs over FY14-24, with its share in India's subs rising to ~1.1%**



Source: TRAI, MOFSL, Company

**Exhibit 10: Tele-density in Hexacom circles comparatively lower than pan-India**



Source: TRAI, MOFSL, Company

Compared to ~68% internet penetration on a pan-India basis, the internet penetration in Hexacom circles is lower, which along with lower teledensity, provides a longer runway for growth.

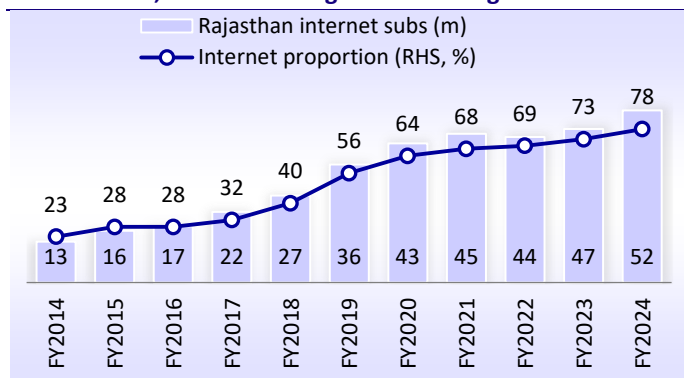
**Internet penetration in Hexacom circles relatively lower than pan-India**

Driven by the 4G and Rjio launch, the data rates in India declined sharply, which enabled a sharp increase in internet users over the past few years. Compared to a modest CAGR of ~2-3% in India’s telecom subscriber base over FY14-24, we note that India’s internet subscriber base recorded ~14% CAGR over the same period, with India’s internet penetration rising from ~20% in FY14 to ~68% in FY24.

Hexacom circles (RJ and NE) saw similar trends, with ~13-15% CAGR in internet subscribers over FY14-24, with the contribution of Hexacom circles to India’s overall internet subscribers rising ~50bp over FY14-24 to ~6.6% by FY24.

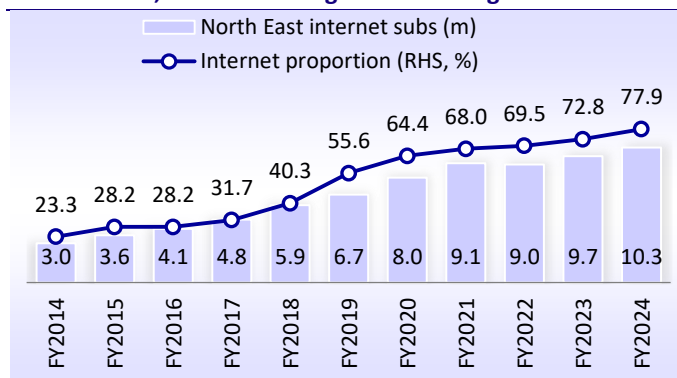
However, we note that compared to ~68% internet penetration on a pan-India basis, the internet penetration in Hexacom circles is lower at ~64% in Rajasthan and ~65% in North East, which, along with lower teledensity, provides a longer runway for growth.

**Exhibit 11: Rajasthan recorded ~15% CAGR in internet subs over FY14-24, with subs using internet rising to ~78%**



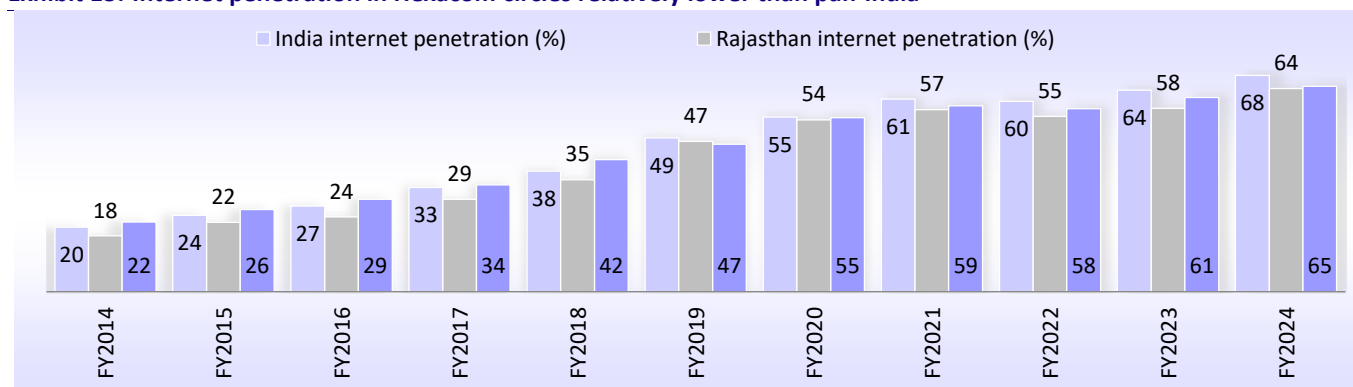
Source: TRAI, MOFSL, Company

**Exhibit 12: North East recorded ~13% CAGR in internet subs over FY14-24, with subs using internet rising to ~80%**



Source: TRAI, MOFSL, Company

**Exhibit 13: Internet penetration in Hexacom circles relatively lower than pan-India**



Source: TRAI, MOFSL, Company

Compared to ~9 wired broadband penetration on a pan-India basis, the penetration is significantly lower in Hexacom circles (~3-4%).

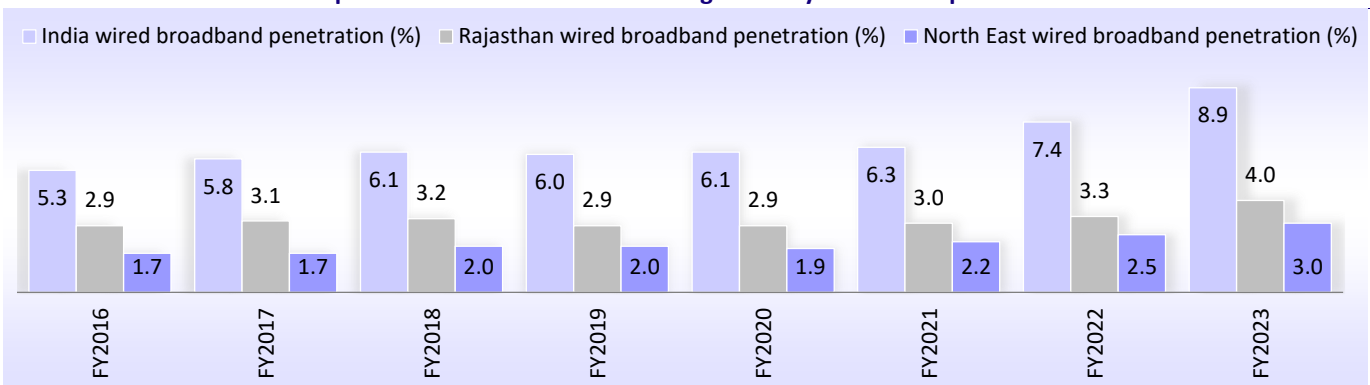
**Fixed wireless access could be a key to improvement in home broadband penetration**

Driven by tailwinds from Covid-19 (hybrid working mode), the ongoing shift towards OTTs, and the adoption of smart TVs, India’s fixed broadband market has seen remarkable growth over the past few years. However, we note that compared to ~9% wired broadband penetration on a pan-India basis, the penetration is



significantly lower in Hexacom circles (3-4%). Further, with the rollout of 5G Fixed Wireless Access (FWA), we note that the reach of home broadband has increased significantly. We believe FWA could become a significant growth driver in Hexacom circles.

**Exhibit 14: Wired broadband penetration in Hexacom circles significantly lower than pan-India**

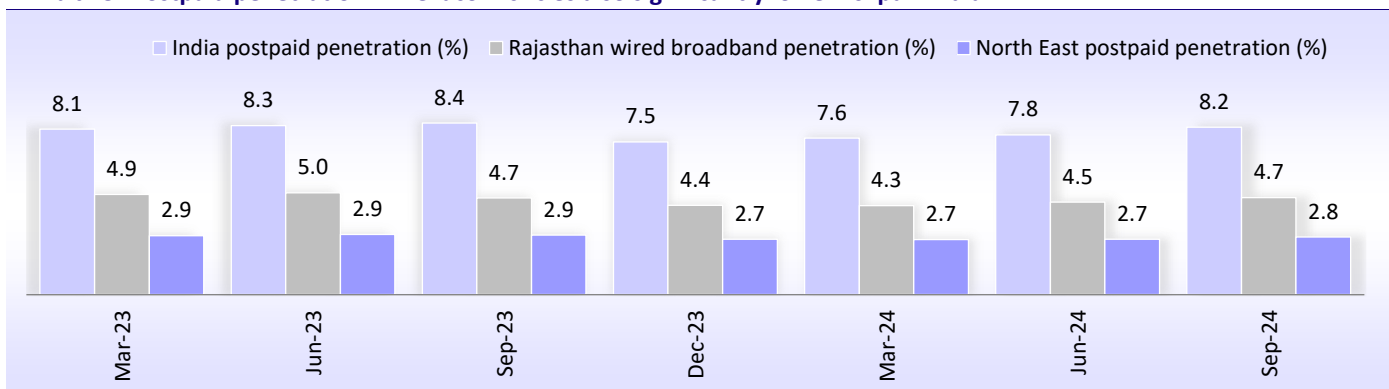


Source: TRAI, MOFSL, Company

**Lower data and postpaid penetration provide greater premiumization opportunity**

As highlighted above, the internet penetration in Hexacom circles is 3-4 percentage points lower than pan-India basis. Similarly, the postpaid penetration in Hexacom circles (at ~4%) is significantly below pan-India levels (~8%). While we note there would always be a gap in postpaid penetration in Hexacom circles vs. Metros (given more corporate postpaid plans), we believe there is room to increase postpaid penetration in Hexacom circles, which could also lead to further ARPU improvement.

**Exhibit 15: Postpaid penetration in Hexacom circles also significantly lower vs. pan-India**



Source: TRAI, MOFSL, Company

Typically when a non-data subscriber upgrades to data, the ARPU can potentially increase by at least 27%.

We note that typically when a non-data subscriber upgrades to data, the ARPU can potentially increase by at least 27% if the user goes for a minimum data recharge pack or can potentially double if the user upgrades to an unlimited plan (1GB/d). Further, when a data user upgrades to postpaid, the ARPU rises significantly and churn typically declines.

**Exhibit 16: ARPU spikes as users upgrade from non-data to data plans**

Bharti Airtel plans		Voice only	Minimum recharge	Unlimited plan	Family postpaid	Individual postpaid
<b>Plan cost</b>	<b>INR</b>	<b>469</b>	<b>199</b>	<b>299</b>	<b>1199</b>	<b>449</b>
Validity	days	84	28	28	30	30
<b>Data offerings</b>	<b>GB</b>	<b>-</b>	<b>2</b>	<b>28</b>	<b>190</b>	<b>50</b>
FUP	GB/day	n/a	n/a	1	n/a	n/a
<b>User outgo</b>	<b>INR/day</b>	<b>5.6</b>	<b>7.1</b>	<b>10.7</b>	<b>11.8</b>	<b>17.7</b>
<b>ARPU</b>	<b>INR/month</b>	<b>144</b>	<b>183</b>	<b>275</b>	<b>300</b>	<b>449</b>
<b>ARPU uptick</b>	<b>%</b>		27.3	50.3	8.9	49.8

Source: TRAI, MOFSL, Company

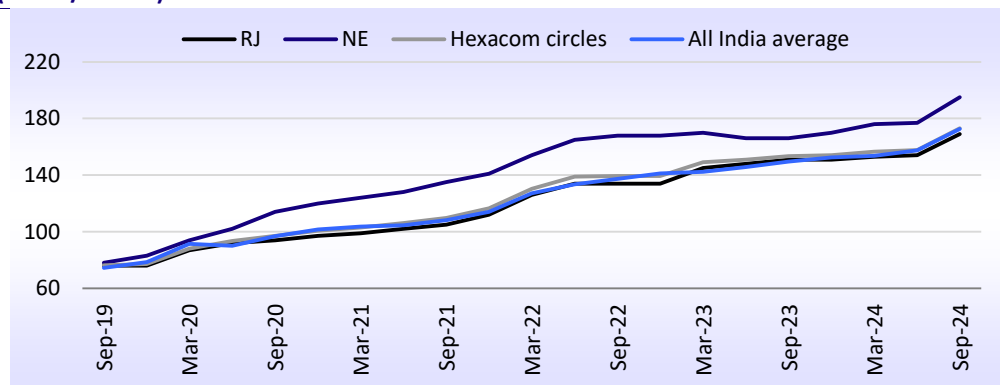
Industry access ARPU in Hexacom circles is broadly similar to All-India access ARPU (excl. NLD revenue). However, we believe that growth in Hexacom circles could be a few percentage points higher due to lower data and postpaid penetration.

**Access ARPU in Hexacom circles largely similar to all-India access ARPU**

Contrary to popular belief, the industry access ARPU in the North East is significantly higher at INR195/month as compared to INR173/month access ARPU on a pan-India basis (ex-NLD revenue) and even higher than implied ARPU including NLD revenue (INR193/month). We believe this could be due to lower competition and a lack of reliable Home Broadband services in the North East. However, industry ARPU in the Rajasthan circle is slightly lower than pan-India levels at ~INR169/month.

Overall, the industry access ARPU in Hexacom circles is broadly similar to All-India access ARPU (excl. NLD revenue). However, we believe that growth in Hexacom circles could be a few percentage points higher due to lower data and postpaid penetration.

**Exhibit 17: Industry ARPU significantly higher in the North East, slightly lower in Rajasthan (in INR/month)**



Source: TRAI, MOFSL, Company

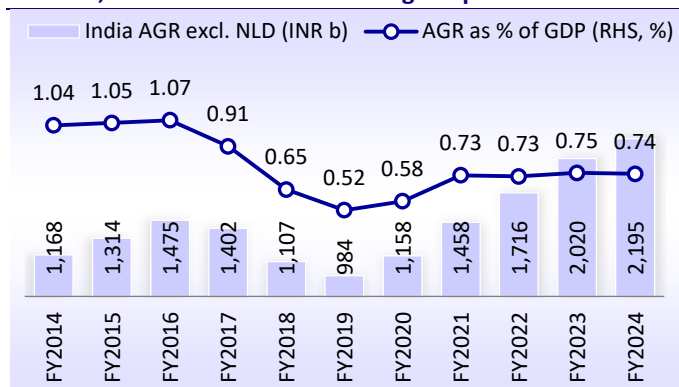
**Hexacom circles' revenue contribution to India's AGR up ~80bp over FY14-24 to ~7%**

Driven by the disruptive launch of Reliance Jio (RJio) in Sep'16, India's telecom revenue declined sharply over FY16-19 and reached pre-RJio launch levels only in FY22. India's adjusted gross revenue (AGR) grew at ~6.5% over FY14-24, with the share of telecom's access AGR in GDP declining ~30bp over FY14-24 to 0.75%.

Comparatively, the telecom revenue (AGR) in Rajasthan recorded a higher ~8% CAGR over FY14-24, with sharper recovery from the pre-RJio launch levels. Similarly, telecom revenue (AGR) in the North East circle also grew at a faster pace of ~7% over FY14-24, with stronger recovery from pre-RJio levels. Overall, Hexacom's two circles account for ~7% of India's access AGR, with contribution improving ~80bp over FY14-24.

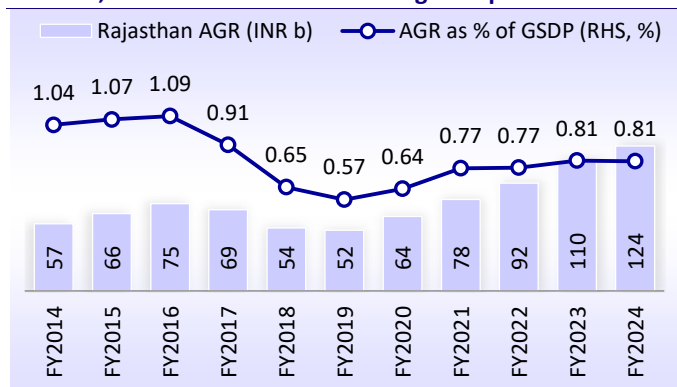
Overall, Hexacom's two circles account for ~7% of India's access AGR, with contribution improving ~80bp over FY14-24.

**Exhibit 18: India's AGR excl. NLD recorded ~6.5% CAGR over FY14-24, with share in GDP declining 30bp to 0.75%**



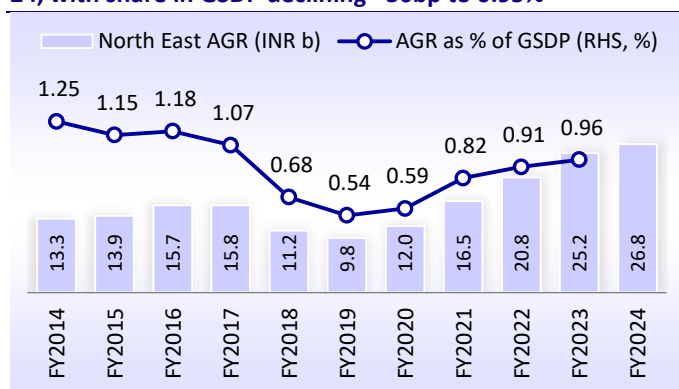
Source: MOFSL, Company

**Exhibit 19: Rajasthan recorded higher ~8% AGR CAGR over FY14-24, with share in GSDP declining ~25bp to 0.8%**



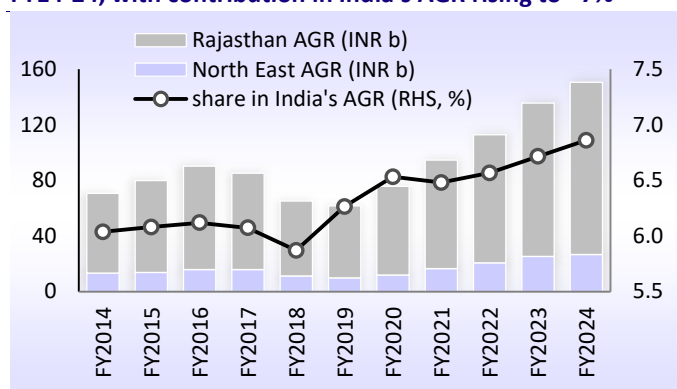
Source: MOFSL, Company

**Exhibit 20: NE recorded a higher ~7% AGR CAGR over FY14-24, with share in GSDP declining ~30bp to 0.95%**



Source: MOFSL, Company

**Exhibit 21: Hexacom circles clocked ~7.5% AGR CAGR over FY14-24, with contribution in India's AGR rising to ~7%**



Source: MOFSL, Company

The share of the top 2 telcos in Hexacom circles is ~4-7 percentage points higher than the share of top two telcos on pan-India basis.

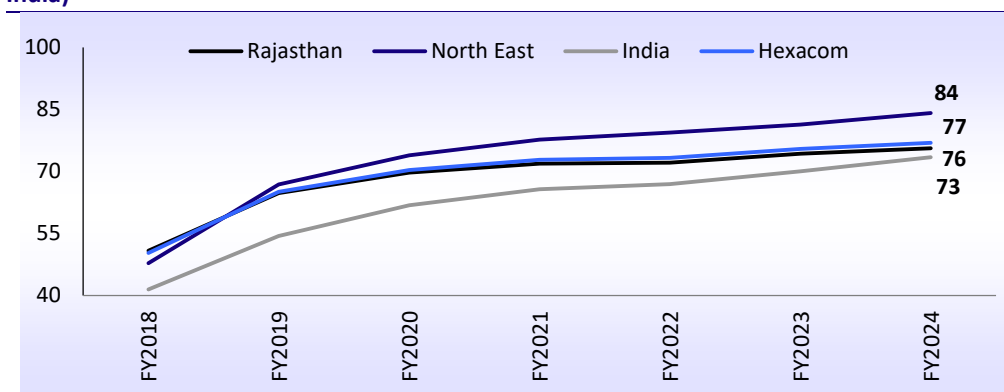
**Hexacom circles are more consolidated among the top two operators**

Driven by intense pricing competition post-RJio launch and higher investment requirements led by a sharp increase in data usage, the telecom industry has consolidated from 12+ operators to three private and one public sector telco. Further, despite the merger of Vodafone India and Idea Cellular, the merged entity, Vodafone Idea, has been continuously losing market share due to its lower network investments.

On a pan-India basis, the top two telcos account for ~73% of subscriber market share (SMS) and a higher ~81% share of the telecom industry's access revenue. We note that **the share of the top 2 telcos in Hexacom circles is even higher at ~77% SMS and ~88% share in the circle's access revenue.** Further, given its cash constraints, Vi had to de-prioritize spends in North East circles, which has led to an even higher share in subscribers (~84%) and access revenue (~92%) for the top two telcos in the region.

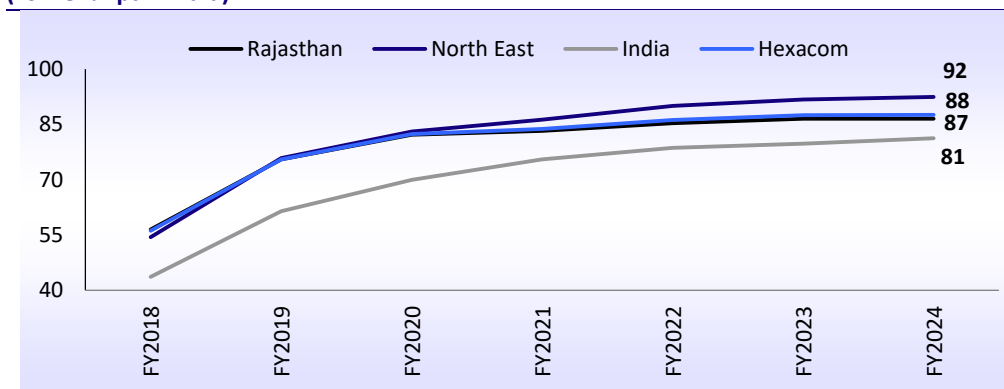
Higher consolidation of market share theoretically provides better pricing power and lower customer acquisition costs. However, on the flip side, the scope of growth from further SMS gains would be lower in Hexacom circles.

**Exhibit 22: The top two telcos account for ~77% of SMS in Hexacom circles (vs. ~73% pan-India)**



Source: MOFSL, Company

**Exhibit 23: The top two telcos account for ~88% share of access revenue in Hexacom circles (vs. ~81% pan-India)**



Source: MOFSL, Company



## Hexacom on course to become the RMS leader

### Significant subscriber market share (SMS) gains for Hexacom in both circles

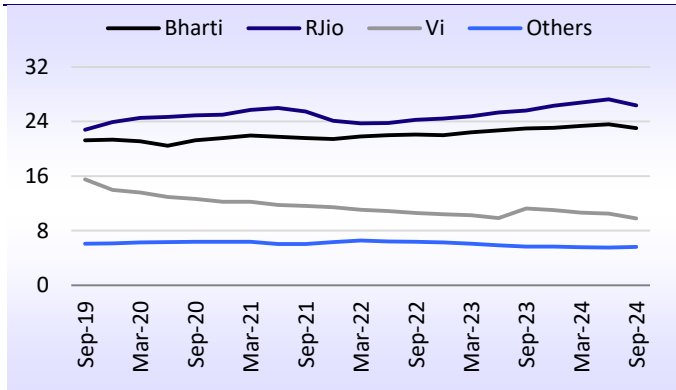
- Given the sharp tariff hikes over the past few years, India's wireless subscriber base (including M2M devices) in Sep'24 was ~20m (~2%) lower than the subscriber base in Sep'19. We note this trend is also largely applicable to Hexacom circles, with wireless subscriber base being down ~1% over the last five years.
- However, Hexacom has been a big gainer (~320bp gain) in subscriber market share (SMS) over Sep'19-Sep'24 in Rajasthan. Further, over the past three years, Bharti's market share gains have accelerated with ~210bp gain (vs. ~140bp for RJio). Moreover, we note that Hexacom's SMS in Rajasthan at 35.5% is higher than Bharti's pan-India SMS of ~33%.
- Bharti is the undisputed leader on SMS in the North East with ~50%+ market share and has gained the highest SMS of ~780bp over Sep'19-Sep'24. RJio is a distant second at 34% share in the North East and gained a lower ~695bp market share over the same period. Further, similar to Rajasthan, Bharti's market share gains have accelerated in the North East with ~490bp SMS gain over the past three years (vs. ~100bp for RJio).
- Overall in the past three years, Hexacom has gained ~270bp in SMS in its two circles (vs. RJio's gain of ~130bp) to reach ~38% SMS, which is significantly above Bharti's ~33% pan-India market share. RJio accounts for ~39.5% SMS in the two Hexacom circles (vs. 40%+ share on a pan-India basis).
- We note that Hexacom's circles are more consolidated, with the top 2 telcos accounting for ~78% of SMS (vs. ~73% on a pan-India basis). Further, given Vi's cash constraints, it has de-prioritized the North East circle, which has led to a substantial decline in Vi's market share in the North East to 5.5%, even lower than that of BSNL.
- Higher consolidation of market share theoretically provides better pricing power and lower customer acquisition costs. However, on the flip side, the scope of growth from further SMS gains would be lower in Hexacom circles.

Hexacom's ~38% SMS is significantly above Bharti's ~33% SMS on pan-India basis. Further, the gap in VLR market share between Bharti and RIL in Hexacom circles is lower at a modest ~70bp (vs. ~600bp gap on a pan-India basis).

### A close competition between Hexacom and RJio on peak-active/VLR subs market share

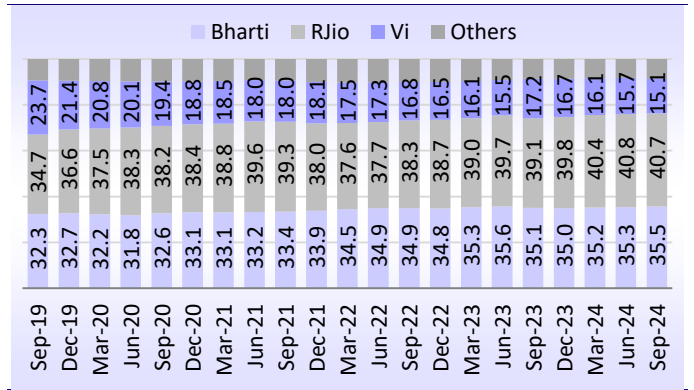
Typically, Bharti's Visitor Location Registry (VLR or peak-active) market share has been higher than its SMS, given its ~99% VLR proportion on a pan-India basis. We note that Hexacom's VLR market share is higher by ~270-300bp than its SMS in both circles. Compared to ~600bp gap in VLR market share between Bharti and RJio on a pan-India basis, the **gap in VLR market share across the two Hexacom circles is lower at a modest 70bp**, with Bharti's VLR market share significantly higher at 41% in Hexacom circles (vs. ~36% on a pan-India basis). Similar to wireless subs, the combined VLR market share of the top two telcos in Hexacom's circles stood at ~83% (vs. ~78% on a pan-India basis).

**Exhibit 24: Hexacom’s subscriber base grew the most over Mar’20-Sep’24 in Rajasthan circle (in m)**



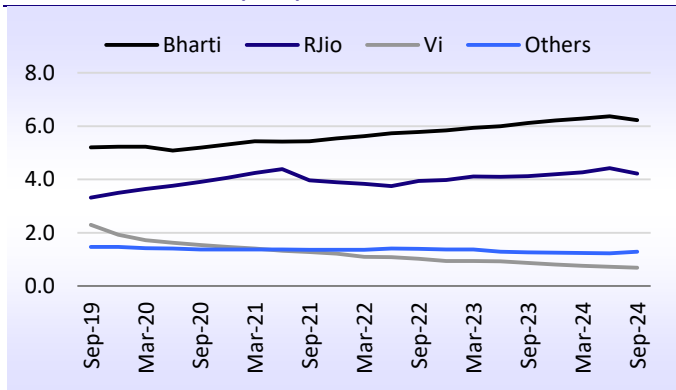
Source: MOFSL, Company

**Exhibit 25: Hexacom gained ~210bp subscriber market share over Sep’21-Sep’24, with Rjio gaining ~140bp (in %)**



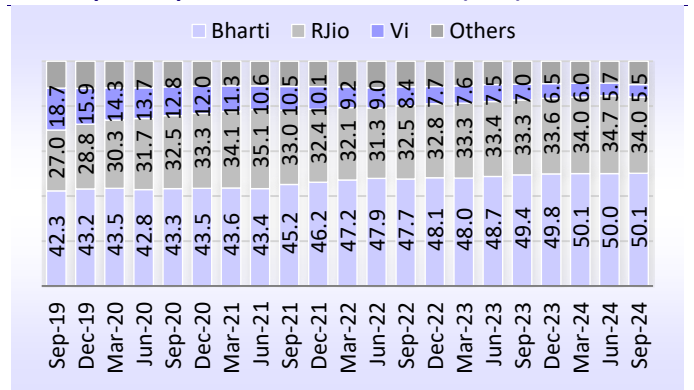
Source: MOFSL, Company

**Exhibit 26: Hexacom is the market leader in North East in terms of subscribers (in m)**



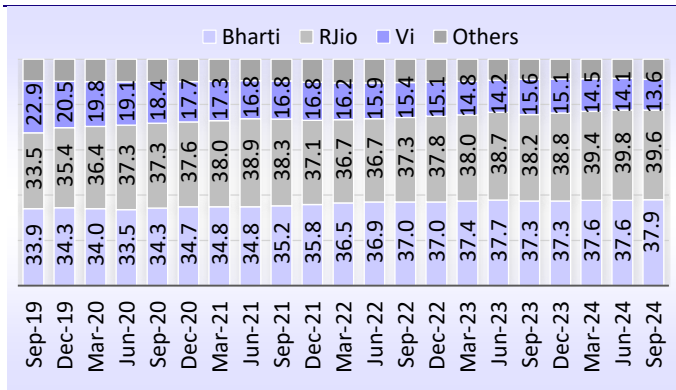
Source: MOFSL, Company

**Exhibit 27: Hexacom gained ~490bp subscriber market share over Sep’21-Sep’24 to reach 50%+ share (in %)**



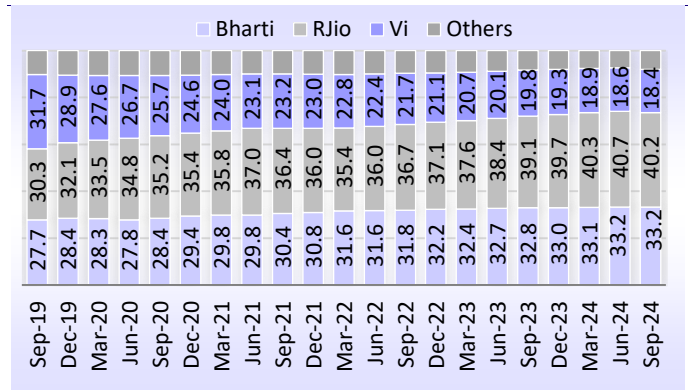
Source: MOFSL, Company

**Exhibit 28: Bharti’s subscriber market share significantly higher in Hexacom circles at ~38% (vs. ~33% pan-India)**



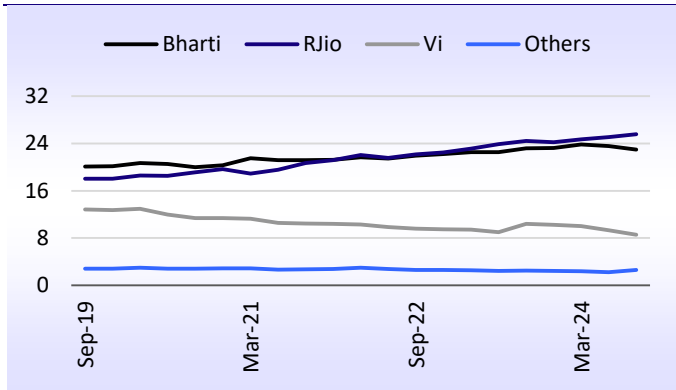
Source: MOFSL, Company

**Exhibit 29: The top 2 telcos account for ~78% of subscriber market share in Hexacom circles (vs. 73% pan-India)**



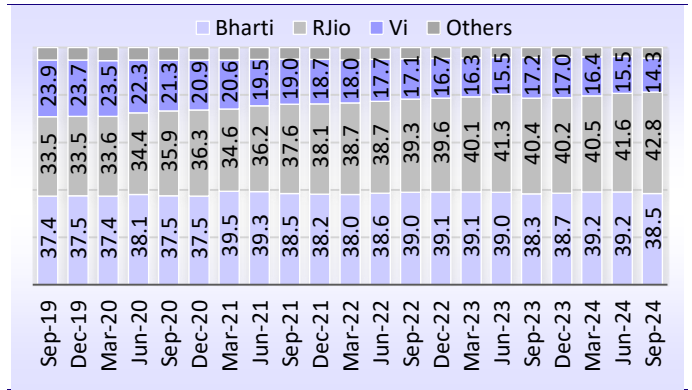
Source: MOFSL, Company

**Exhibit 30: Hexacom’s VLR subs grew at a faster rate vs. its overall wireless subs in the Rajasthan circle (in m)**



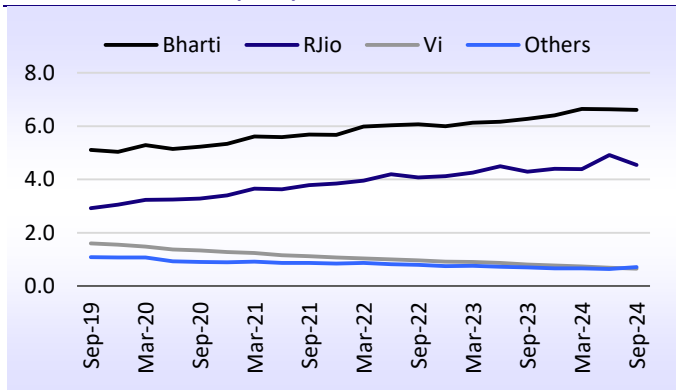
Source: MOFSL, Company

**Exhibit 31: Hexacom’s VLR market share in Rajasthan, at ~38.5% in Sep’24, is higher than its 35.5% SMS**



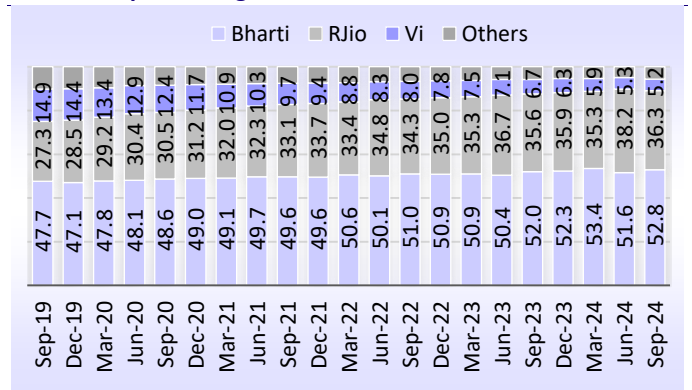
Source: MOFSL, Company

**Exhibit 32: Hexacom is also the VLR subscriber market leader in North East (in m)**



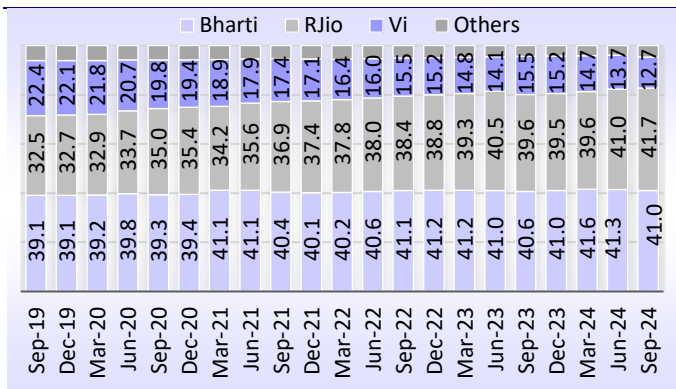
Source: MOFSL, Company

**Exhibit 33: Hexacom’s VLR market share in North East, at ~53% in Sep’24, is higher than its ~50% SMS**



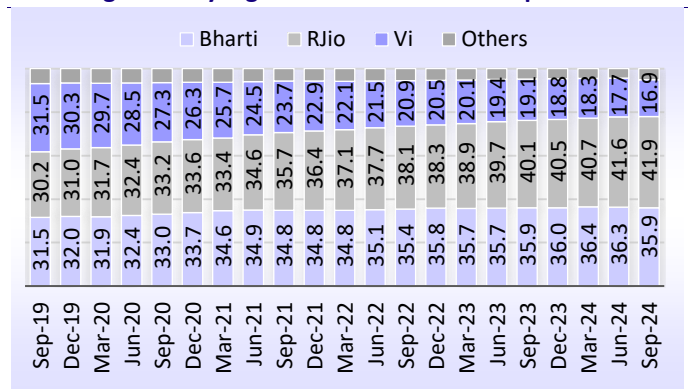
Source: MOFSL, Company

**Exhibit 34: Bharti giving a tough fight to Rjio on VLR market share in Hexacom circles**



Source: MOFSL, Company

**Exhibit 35: Bharti’s ~41% VLR market share in Hexacom circles significantly higher than its ~36% share pan-India**



Source: MOFSL, Company

**Bharti leads on access ARPU in both Hexacom circles**

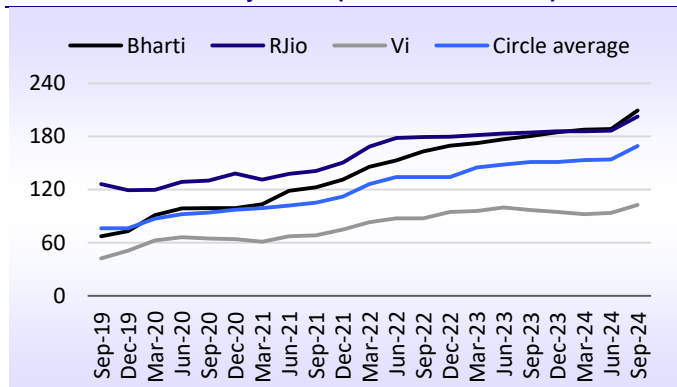
Hexacom is the industry leader on ARPU in both of its circles, driven by continued focus on premiumization.

Bharti’s continued focus on premiumization, upgrading non-data subs to data, prepaid subs to postpaid subs, and ultimately to converged homes has led to industry-leading ARPU on a pan-India basis. We note that Hexacom follows a similar strategy and has benefitted from the **significant improvement in its data subs proportion from ~56% in FY21 to ~76% by 9MFY25.**

**Hexacom is the industry leader on ARPU in both circles**, driven by tariff repair, hikes in minimum recharge packs, and also a boost from non-data to data upgrades. Compared to a 2.8x rise in Bharti's implied access ARPU on a pan-India basis over Sep'19-Sep'24, the ARPU uptick in Hexacom circles is even higher at ~3.2x, driven by a sharper ~3.4x jump in access ARPU in the North East.

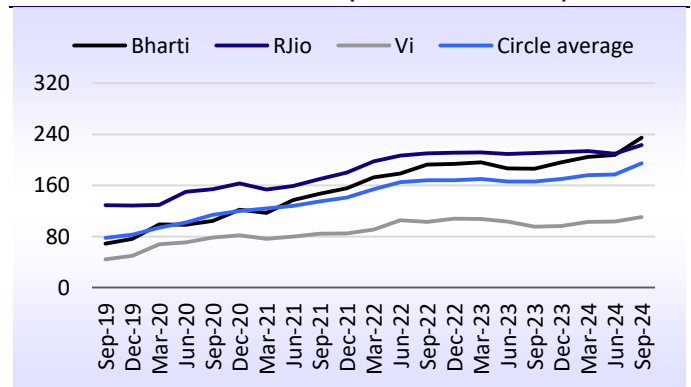
Contrary to popular belief, Bharti's Sep'24 implied access ARPU in the North East is significantly higher at INR235/month as compared to INR213/month access ARPU on a pan-India basis, excluding the NLD revenue, and even higher than the implied ARPU including NLD revenue (INR224/month). We believe this could be due to lower competition and a lack of reliable Home Broadband services in the North East.

**Exhibit 36: Hexacom is the industry leader with an implied ARPU of INR209 in Rajasthan (vs. INR202 for RJio)**



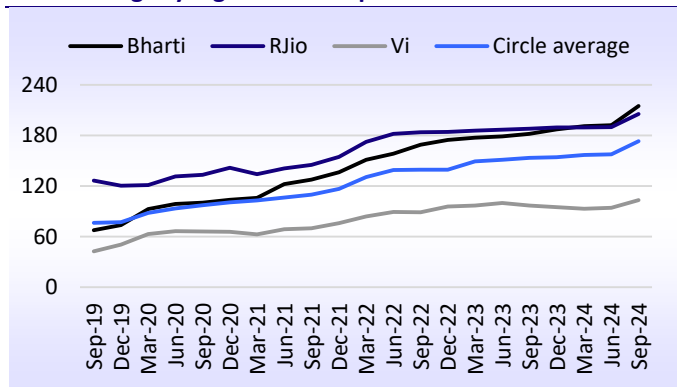
Source: MOFSL, Company

**Exhibit 37: Hexacom is the industry leader with an implied ARPU of INR235 in North East (vs. INR223 for RJio)**



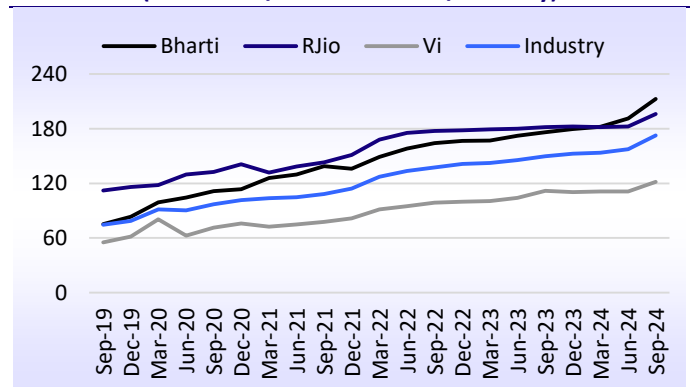
Source: MOFSL, Company

**Exhibit 38: Bharti's access ARPU of INR215 in Hexacom circles is slightly higher than its pan-India access ARPU**



Source: MOFSL, Company

**Exhibit 39: Bharti leads with pan-India implied access ARPU of ~INR213 (vs. INR196/INR173 for RJio/industry)**



Source: MOFSL, Company

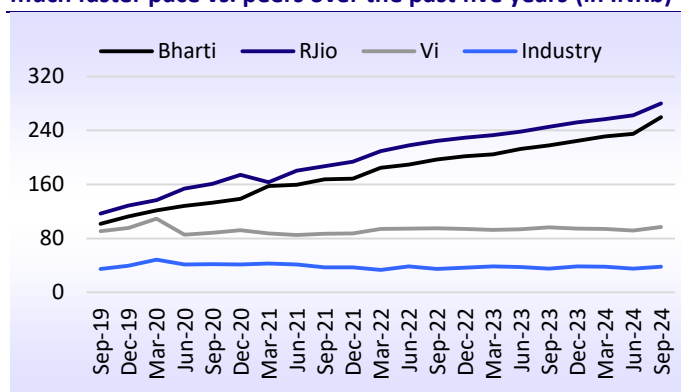
Bharti has gained ~895bp RMS on a pan-India basis from Sep'19 to Sep'24, with RJio gaining ~760bp over the same period, primarily at Vi and BSNL's expense

**Significant gains in RMS for Hexacom**

Driven by its higher SMS gains, boost from non-data to data upgrades, and superior execution on its premiumization agenda, Bharti's adjusted gross revenue (AGR) including NLD (national long distance) revenue, surged ~2.6x over Sep'19-Sep'24. Comparatively, RJio's AGR (incl. NLD) jumped ~2.4x over the same period, while Vi's AGR (incl. NLD) was up by a modest ~7% as it continued to lose its subscriber base. As a result, Bharti has gained ~895bp RMS on a pan-India basis from Sep'19 to Sep'24, with RJio gaining ~760bp over the same period, primarily at Vi and BSNL's expense.

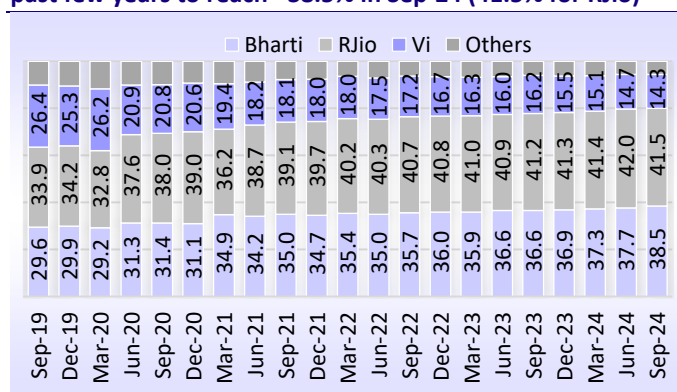


**Exhibit 40: Bharti's pan-India AGR (incl. NLD) has grown at a much faster pace vs. peers over the past five years (in INRb)**



Source: MOFSL, Company

**Exhibit 41: Bharti has gained ~895bp in all-India RMS over past few years to reach ~38.5% in Sep'24 (41.5% for RJio)**

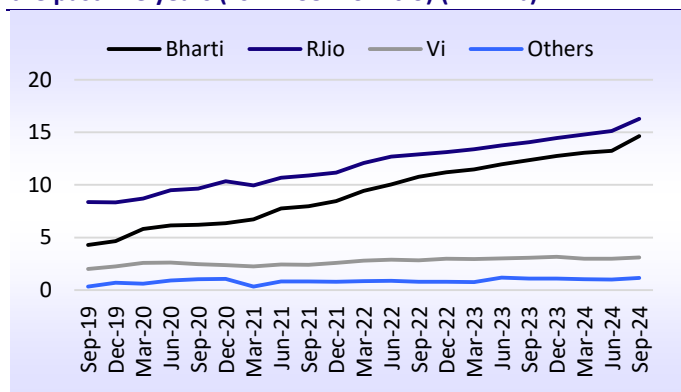


Source: MOFSL, Company

**Hexacom's revenue growth significantly ahead of peers in Rajasthan**

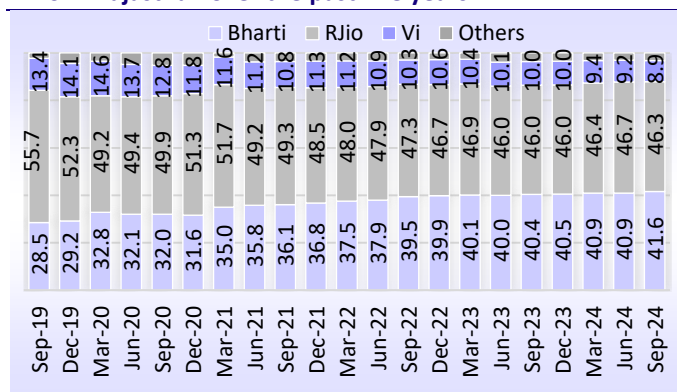
Driven by its higher subscriber market share gains and industry-leading ARPU, Hexacom's AGR grew ~3.4x in Rajasthan over Sep'19-Sep'24 (vs. 95%/55% for RJio/Vi). As a result, Hexacom has gained ~13pp in RMS in Rajasthan to reach 41.6% (vs. 35.5% SMS) share and closed the gap significantly to RJio (~46% RMS). We note that the top 2 telcos account for ~88% of RMS in Rajasthan (vs. ~80% on a pan-India basis).

**Exhibit 42: Hexacom's AGR in Rajasthan surged ~3.4x over the past five years (vs. ~1.95x for RJio) (in INRb)**



Source: MOFSL, Company

**Exhibit 43: Hexacom has been closing the gap with RJio on RMS in Rajasthan over the past five years**



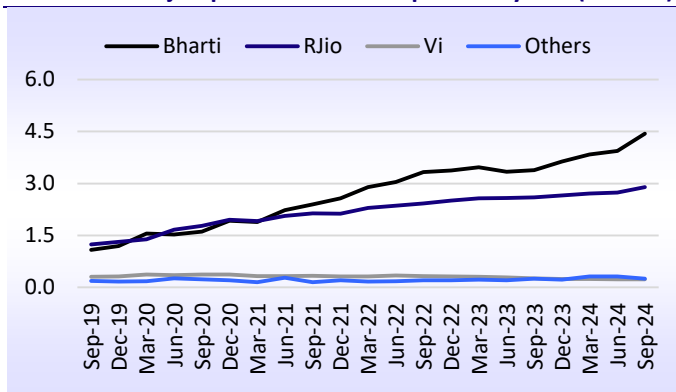
Source: MOFSL, Company

**Effectively a duopoly in the North East, with Bharti by far the market leader**

Similarly, Hexacom's AGR grew 4.1x in the North East during the same period (vs. 2.33x/-23% for RJio/Vi). This has resulted in Hexacom's RMS rising to ~57% in the North East (significantly above its 50% SMS), with RJio a distant second with ~37% market share. The RMS share of the top two telcos in the North East is even higher at ~94% (vs. ~80% on a pan-India basis).

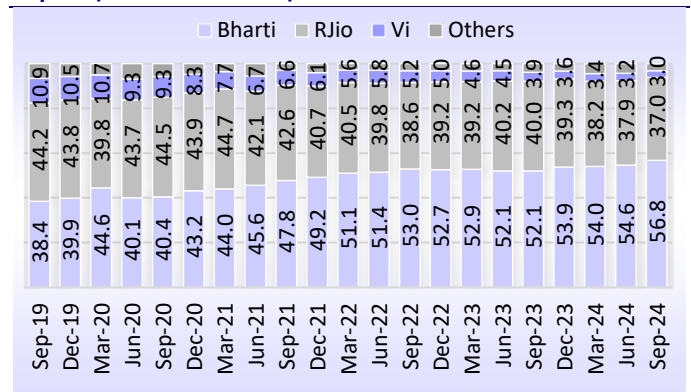
North East circle is effectively a duopoly with top two telcos accounting for ~94% RMS share (vs. ~80% on a pan-India basis).

**Exhibit 44: Hexacom is by far the market leader in North East with 4.1x jump in AGR over the past five years (in INRb)**



Source: MOFSL, Company

**Exhibit 45: Hexacom's RMS inched up to a dominant ~57% in Sep'24 (vs. ~37% for RJio)**



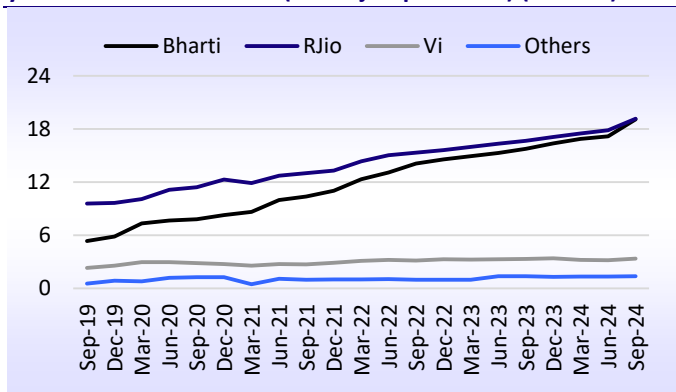
Source: MOFSL, Company

Hexacom trails RJio by modest ~20bp on RMS and given Bharti's outperformance over RJio in past few quarters, we expect Hexacom to become RMS leader in its relevant circles by FY25-end.

**Hexacom poised to become the RMS leader by the end of FY25**

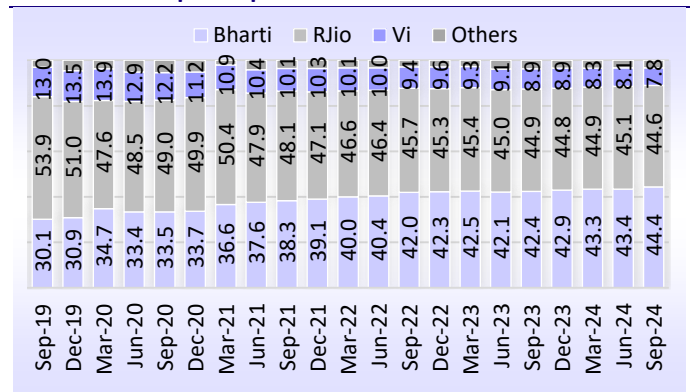
Overall, Bharti's AGR has grown significantly faster than peers, with ~3.5x jump in AGR over Sep'19-Sep'24 (vs. 2x for RJio and ~45% for Vi). We note that **compared to the ~300bp lead on RMS for RJio on an all-India basis, the RMS lead is a modest ~20bp in Hexacom circles**, as of Sep'24. Further, with Bharti outperforming RJio for several quarters – given the boost from non-data to data upgrades – we expect Hexacom to leap-frog RJio on the RMS front in its relevant circles by the end of FY25.

**Exhibit 46: Bharti's AGR has surged 3.55x over the past five years in Hexacom circles (vs. 2x jump for RJio) (in INRb)**



Source: MOFSL, Company

**Exhibit 47: Hexacom has closed the gap on RMS with RJio to a modest ~20bp in Sep'24**



Source: MOFSL, Company

## How does Hexacom compare vs. Bharti Airtel?

In this section, we compare Hexacom's operational and financial parameters with Bharti Airtel's India wireless and Home Broadband segment.

Hexacom's subscriber mix is slightly inferior to Airtel's on data and postpaid proportion. However, the growth in paying subs base has been similar for both Airtel and Hexacom over FY21-24.

### Hexacom's subs mix slightly inferior to Airtel's on data and postpaid proportion

**Wireless subs:** As highlighted earlier, Hexacom's circles (RJ and NE) account for 6.8% of India's overall wireless subs. However, Hexacom accounts for a higher 7.6% of Bharti Airtel's overall wireless subs. Hexacom's wireless subscriber base has recorded a slightly lower CAGR (2.7% vs. 3.1%) over FY21-24 vs. Bharti Airtel's wireless subs. We believe this would largely be driven by higher growth in Bharti's M2M subscriber base in Metros and A Circles.

**VLR subs:** Hexacom accounts for 7.8% of Airtel's overall VLR subscriber base. Over FY21-24, Hexacom's VLR subscriber base recorded ~4% CAGR (vs. 3.8% for Airtel). We note that Hexacom's VLR proportion has consistently remained above 100% in the past few years. We believe this would be driven by a higher number of in-roamers given that Hexacom circles (Rajasthan and North East) attract more tourists.

**Paying wireless subs:** Hexacom accounts for 7.7% of Airtel's paying wireless subs. Over FY21-24, both Hexacom and Airtel's paying wireless subscriber base recorded a similar ~3.1% CAGR. However, we build in a slightly higher ~2.3% CAGR in Hexacom's paying wireless subs over FY24-27 (vs. ~2.1% for Airtel), given the lower penetration of telecom services in Hexacom's circles.

**Data subs:** Hexacom accounts for ~7.6% of Airtel's data subscriber base, with the data subscriber proportion for Hexacom at 76.2%, ~160bp below Airtel's pan-India data subs proportion. However, over FY21-24, the proportion of subscribers opting for data has grown faster for Hexacom at ~17 percentage points (vs 15.5pp for Airtel), leading to a higher ~12.5% CAGR in the data subscriber base for Hexacom (vs. ~11.5% for Airtel). A similar trend is visible for 4G/5G subs as well. Given slightly lower data penetration in Hexacom circles, we build in ~70bp higher data subscriber base CAGR for Hexacom (vs. Airtel's pan India growth) at ~8.5% for Hexacom over FY24-27. However, we still expect Hexacom to trail by ~70bp (vs. Airtel) on data subs proportion in FY27.

**Postpaid subs:** As discussed earlier, the share of postpaid in Hexacom circles is significantly lower as compared to the pan-India postpaid proportion. Similarly, Hexacom accounts for ~3.5% of Airtel's postpaid base (vs. ~8% of the paying subscriber base). While we believe Hexacom's postpaid base would grow due to the company's rising focus on postpaid, we anticipate Hexacom would continue to trail Airtel on the proportion of subs opting for postpaid.

Given slightly lower data penetration in Hexacom circles, we build in ~70bp higher data subscriber base CAGR for Hexacom (vs. Airtel's pan India growth).

**Exhibit 48: Comparison of Hexacom with Airtel on subscriber trends for the mobility business**

	FY21	FY22	FY23	FY24	9MFY25	FY25E	FY26E	FY27E	FY21-24	FY24-27
<b>Wireless subs (m)</b>										
Hexacom	27.4	27.4	28.4	29.6	29.7	29.9	30.5	31.1	2.7%	1.7%
Bharti Airtel	352.4	360.3	370.9	385.8	388.9	393.3	403.3	413.8	3.1%	2.4%
Bharti ex- Hexacom	325.0	332.9	342.5	356.1	359.2	363.4	372.8	382.7	3.1%	2.4%
% of Airtel	7.8	7.6	7.6	7.7	7.6	7.6	7.6	7.5		
<b>VLR subs (m)</b>										
Hexacom	27.1	27.7	28.7	30.5	30.1	30.4	31.0	31.7	4.0%	1.3%
Bharti Airtel	344.3	355.8	369.6	385.4	387.1	391.4	401.4	411.8	3.8%	2.2%
Bharti ex- Hexacom	317.2	328.1	340.9	354.9	357.0	361.0	370.4	380.1	3.8%	2.3%
% of Airtel	7.9	7.8	7.8	7.9	7.8	7.8	7.7	7.7		
<b>VLR proportion (%)</b>										
Hexacom	99.1	100.8	101.1	103.0	101.3	101.5	101.7	101.9		
Bharti Airtel	97.7	98.7	99.6	99.9	99.5	99.5	99.5	99.5		
Bharti ex- Hexacom	97.6	98.6	99.5	99.7	99.4	99.4	99.3	99.3		
<b>Paying wireless subs (m)</b>										
Hexacom	25.0	24.8	25.8	27.3	27.6	27.9	28.5	29.3	3.1%	2.3%
Bharti Airtel	321.4	326.0	335.4	352.3	356.6	360.0	366.0	375.0	3.1%	2.1%
Bharti ex- Hexacom	296.4	301.3	309.6	324.9	329.0	332.1	337.4	345.7	3.1%	2.1%
% of Airtel	7.8	7.6	7.7	7.8	7.7	7.8	7.8	7.8		
<b>Paying net adds (m)</b>										
Hexacom		(0.2)	1.1	1.5	0.3	0.6	0.6	0.7		
Bharti Airtel		4.7	9.4	16.8	4.3	7.7	6.0	9.0		
Bharti ex- Hexacom		4.9	8.3	15.3	4.1	7.2	5.4	8.3		
% of Airtel		(4.5)	11.3	9.0	6.3	7.2	10.8	8.0		
<b>Data subs (m)</b>										
Hexacom	13.9	15.4	17.3	19.8	21.0	21.6	23.5	25.2	12.5%	8.4%
Bharti Airtel	188.6	208.4	232.7	260.8	277.6	284.1	306.0	326.0	11.4%	7.7%
Bharti ex- Hexacom	174.7	193.1	215.3	241.1	256.6	262.5	282.5	300.8	11.3%	7.7%
% of Airtel	7.4	7.4	7.4	7.6	7.6	7.6	7.7	7.7		
<b>Data subs proportion (%)</b>										
Hexacom	55.6	62.1	67.1	72.3	76.2	77.3	82.4	86.2	16.7	13.8
Bharti Airtel	58.7	63.9	69.4	74.1	77.8	78.9	83.6	86.9	15.4	12.9
Bharti ex- Hexacom	59.0	64.1	69.6	74.2	78.0	79.0	83.7	87.0	15.2	12.8
Delta vs Airtel	3.1	1.8	2.3	1.7	1.7	1.6	1.2	0.8		
<b>4G/5G subs (m)</b>										
Hexacom	13.3	15.0	17.0	19.5	20.8	21.3	23.4	25.2	13.4%	9.0%
Bharti Airtel	179.3	200.8	224.1	252.7	270.2	277.0	301.0	323.0	12.1%	8.5%
Bharti ex- Hexacom	165.9	185.8	207.1	233.3	249.4	255.7	277.6	297.8	12.0%	8.5%
% of Airtel	7.4	7.5	7.6	7.7	7.7	7.7	7.8	7.8		
<b>4G/5G subs proportion (%)</b>										
Hexacom	53.4	60.7	65.8	71.2	75.3	76.5	82.0	86.1	17.8	14.8
Bharti Airtel	55.8	61.6	66.8	71.8	75.8	76.9	82.2	86.1	16.0	14.4
Bharti ex- Hexacom	56.0	61.7	66.9	71.8	75.8	77.0	82.3	86.1	15.8	14.3
Delta vs Airtel	2.4	0.9	1.0	0.5	0.5	0.5	0.3	0.1		
<b>Postpaid subs (m)</b>										
Hexacom	0.7	0.7	0.7	0.8	0.9	0.9	1.0	1.2	8.1%	11.9%
Bharti Airtel	16.6	17.8	19.7	23.1	25.3	25.8	28.2	30.6	11.5%	9.9%
Bharti ex- Hexacom	16.0	17.1	18.9	22.2	24.4	24.9	27.2	29.5	11.7%	9.8%
% of Airtel	4.0	3.8	3.6	3.7	3.4	3.5	3.7	3.9		
<b>Postpaid proportion (%)</b>										
Hexacom	2.7	2.7	2.7	3.1	3.1	3.2	3.6	4.0	0.4	0.9
Bharti Airtel	5.2	5.5	5.9	6.6	7.1	7.2	7.7	8.2	1.4	1.6
Bharti ex- Hexacom	5.4	5.7	6.1	6.8	7.4	7.5	8.1	8.5	1.5	1.7
Delta vs Airtel	2.5	2.7	3.1	3.5	3.9	3.9	4.1	4.1		

Source: MOFSL, Company

**Hexacom trails Airtel on customer ARPU and EBITDA margin**

**Wireless ARPU:** Given slightly weaker data and postpaid mix, Hexacom trails Airtel by INR4-5 on ARPU (~2%). However, with likely more headroom for subscriber mix improvement for Hexacom, we expect the wireless ARPU gap with Airtel to narrow

by FY27. Overall, we build in ~13% ARPU CAGR over FY24-27 for Hexacom (vs. ~12.5% CAGR for Airtel).

Given slightly weaker data and postpaid mix, Hexacom trails Airtel by INR4-5/month on ARPU (~2%). However, we expect Hexacom's wireless ARPU gap with Airtel to narrow by FY27.

**Wireless revenue:** We understand that Hexacom's segmental wireless revenue also includes the revenue from in-roamers. On customer revenue, Hexacom accounts for ~7.5% of Bharti's wireless revenue. Over FY21-24, Airtel and Hexacom's wireless revenue growth was largely similar at ~15% CAGR. However, we expect Hexacom to slightly outperform Airtel over FY24-27E with ~16% wireless revenue CAGR.

**Wireless EBITDA:** Over FY21-24, Hexacom's wireless EBITDA grew significantly faster than Airtel's. We believe this was driven by 1) a lower base and 2) a likely change in accounting for Interconnect Usage Charges. Going ahead, we **expect Hexacom to deliver slightly higher ~23% wireless EBITDA CAGR over FY24-27 (vs ~21% for Airtel).**

**Wireless EBITDA margin:** Over FY21-24, Hexacom's wireless EBITDA margins nearly doubled from ~26% in FY21 to ~49% in FY24 (vs. ~11 percentage point improvement for Airtel). However, Airtel continues to lead Hexacom on wireless EBITDA margin, likely driven by payment of common costs and fiber usage charges by Hexacom to Airtel. Over FY24-27, we expect Hexacom's margin differential with Airtel to reduce further on account of better operating leverage.

**Exhibit 49: Comparison of Hexacom with Airtel on wireless ARPU, revenue, EBITDA and EBITDA margins**

	FY21	FY22	FY23	FY24	1HFY25	FY25E	FY26E	FY27E	FY21-24	FY24-27	
<b>Wireless ARPU (INR/month)*</b>											
Hexacom		154.9	185.9	198.3	224.1	228.2	256.8	288.2	13.1%	13.3%	
Bharti Airtel		159.6	189.1	203.9	228.9	232.9	260.4	290.7	13.0%	12.5%	
Bharti ex- Hexacom		160.0	189.4	204.4	229.3	233.2	260.7	290.9	13.0%	12.5%	
Delta vs Airtel		4.7	3.3	5.6	4.9	4.7	3.6	2.5			
Delta in % terms		(2.9)	(1.7)	(2.8)	(2.1)	(2.0)	(1.4)	(0.9)			
<b>Customer revenue (INR b)*</b>											
Hexacom		46.2	56.4	63.2	55.4	75.6	87.0	100.0	17.0%	16.5%	
Bharti Airtel		619.8	750.6	841.3	730.2	995.1	1,134.2	1,292.4	16.5%	15.4%	
Bharti ex- Hexacom		573.6	694.2	778.1	674.8	919.5	1,047.2	1,192.4	16.5%	15.3%	
% of Airtel		7.5	7.5	7.5	7.6	7.6	7.7	7.7			
<b>Segment revenue (INR b)</b>											
Hexacom		45.3	53.0	64.2	69.2	61.0	83.2	94.9	15.2%	16.0%	
Bharti Airtel		555.7	631.1	759.2	850.5	736.3	1,003.4	1,143.2	15.2%	15.3%	
Bharti ex- Hexacom		510.4	578.2	695.0	781.3	675.4	920.2	1,048.3	15.2%	15.2%	
% of Airtel		8.2	8.4	8.5	8.1	8.3	8.3	8.3			
<b>Segment EBITDA (INR b)</b>											
Hexacom		11.7	18.6	28.4	34.2	30.9	43.1	52.5	63.2	42.9%	22.7%
Bharti Airtel		242.6	313.0	400.8	467.6	421.6	579.3	691.7	819.3	24.4%	20.6%
Bharti ex- Hexacom		230.9	294.4	372.3	433.3	390.6	536.2	639.2	756.0	23.3%	20.4%
% of Airtel		4.8	6.0	7.1	7.3	7.3	7.4	7.6	7.7		
<b>Segmental EBITDA margin (%)</b>											
Hexacom		25.9	35.2	44.3	49.4	50.8	51.8	55.3	58.5	23.5	9.0
Bharti Airtel		43.7	49.6	52.8	55.0	57.3	57.7	60.5	62.9	11.3	7.9
Bharti ex- Hexacom		45.2	50.9	53.6	55.5	57.8	58.3	61.0	63.3	10.2	7.8
Delta vs Airtel		17.8	14.4	8.5	5.6	6.5	6.0	5.2	4.4		
<b>Incremental EBITDA margin (%)</b>											
Hexacom		90.0	87.0	116.1		63.5	80.7	80.7	94.0	74.5	
Bharti Airtel		93.3	68.5	73.2		73.1	80.4	80.1	76.3	77.8	
Bharti ex- Hexacom		93.7	66.7	70.7		74.1	80.3	80.1	74.7	78.1	

\*- implies FY22-24 CAGR instead of FY21-24

Source: MOFSL, Company



## Hexacom's market share in its circles higher vs. Airtel's pan-India market share

Hexacom's subscriber market share in its relevant markets at ~38% is higher than Airtel's pan India market share of 33%.

**Subscriber market share:** Driven by a 50% market share in North East, Hexacom's subscriber market share in its relevant market at ~38% is higher than Airtel's pan-India subscriber market share of ~33%. However, over the past five years, Airtel's all-India market share has grown faster than Hexacom's.

**VLR market share:** Similar to the wireless subs market share, Hexacom's VLR subs market share at ~41% is also ~5pp higher as compared to Airtel's pan-India VLR subs market share. Further, we note the gap between Bharti and Rjio on VLR market share in Hexacom circles is significantly lower.

Hexacom's access RMS at ~44% also ~5 percentage points higher than Airtel's pan-India revenue market share.

**Access revenue market share:** Bharti's access market share has grown faster than its subscriber and VLR market share throughout India, driven by its focus on premiumization. Further, similar to the trend in subscribers, Hexacom's access RMS at ~44% is also ~5pp higher than Airtel's pan-India market share. Further, driven by industry-leading ~57% RMS in the North East and faster revenue growth (vs. peers), **Hexacom is on course to become the RMS leader in its relevant circles.**

**Exhibit 50: Comparison of Hexacom with Airtel on wireless subscriber and access revenue market share**

Market share trends (%)	1HFY20	FY20	FY21	FY22	FY23	FY24	1HFY25	1HFY20-1HFY25
<b>Subscriber market share</b>								
Rajasthan	32.3	32.2	33.1	34.5	35.3	35.2	35.5	3.2
North East	42.3	43.5	43.6	47.2	48.0	50.1	50.1	7.8
<b>Hexacom</b>	<b>33.9</b>	<b>34.0</b>	<b>34.8</b>	<b>36.5</b>	<b>37.4</b>	<b>37.6</b>	<b>37.9</b>	<b>4.0</b>
<b>Bharti Airtel - pan India</b>	<b>27.7</b>	<b>28.3</b>	<b>29.8</b>	<b>31.6</b>	<b>32.4</b>	<b>33.1</b>	<b>33.2</b>	<b>5.5</b>
Bharti - rest 20 circles	27.3	27.9	29.5	31.2	32.1	32.8	32.9	5.6
Delta Hexacom vs. Airtel	6.2	5.7	4.9	5.0	4.9	4.5	4.6	
<b>VLR subs market share</b>								
Rajasthan	37.4	37.4	39.5	38.0	39.1	39.2	38.5	1.1
North East	47.7	47.8	49.1	50.6	50.9	53.4	52.8	5.1
<b>Hexacom</b>	<b>39.1</b>	<b>39.2</b>	<b>41.1</b>	<b>40.2</b>	<b>41.2</b>	<b>41.6</b>	<b>41.0</b>	<b>1.9</b>
<b>Bharti Airtel - pan India</b>	<b>31.5</b>	<b>31.9</b>	<b>34.6</b>	<b>34.8</b>	<b>35.7</b>	<b>36.4</b>	<b>35.9</b>	<b>4.4</b>
Bharti - rest 20 circles	31.0	31.4	34.2	34.5	35.3	36.1	35.5	4.6
Delta Hexacom vs. Airtel	7.6	7.3	6.5	5.3	5.4	5.1	5.1	
<b>Access RMS</b>								
Rajasthan	28.5	32.8	35.0	37.5	40.1	40.9	41.6	13.1
North East	38.4	44.6	44.0	51.1	52.9	54.0	56.8	18.3
<b>Hexacom</b>	<b>30.1</b>	<b>34.7</b>	<b>36.6</b>	<b>40.0</b>	<b>42.5</b>	<b>43.3</b>	<b>44.4</b>	<b>14.3</b>
<b>Bharti Airtel - pan India</b>	<b>27.1</b>	<b>29.5</b>	<b>34.1</b>	<b>34.5</b>	<b>35.8</b>	<b>37.1</b>	<b>39.1</b>	<b>12.0</b>
Bharti - rest 20 circles	26.9	29.1	34.0	34.1	35.3	36.6	38.7	11.8
Delta Hexacom vs. Airtel	3.0	5.3	2.5	5.5	6.7	6.2	5.3	

Source: MOFSL, Company

## Network and usage comparison between Hexacom and Airtel

**Network towers and MBB sites:** Hexacom accounts for ~8% of Airtel's total tower base, but a slightly higher proportion of MBB sites.

**Data usage:** Hexacom accounts for 8%+ of Bharti's total data usage, with Hexacom subs' monthly data usage at ~26GB/month, significantly higher than Airtel's blended data usage per sub of ~24GB/month. We believe this is likely due to the lower availability of fixed broadband services in Hexacom circles.

**Voice usage:** Hexacom accounts for ~7.5% of Bharti's total voice minutes on the network. Minute of usage for Hexacom subs is slightly lower at ~1,100min/month (vs. ~1,140min/month for Airtel's pan-India average).

**Exhibit 51: Comparison of Hexacom with Airtel on network infra and subscriber engagement metrics**

	FY21	FY22	FY23	FY24	9MFY25	FY21-FY24 (%)
<b>Network towers (#)</b>						
Hexacom	17,188	18,786	21,672	25,704	26,335	14.4
Bharti Airtel	2,16,901	2,37,577	2,75,069	3,18,171	3,34,757	13.6
Bharti ex-Hexacom	1,99,713	2,18,791	2,53,397	2,92,467	3,08,422	13.6
% of Airtel	7.9	7.9	7.9	8.1	7.9	
<b>Total MBB sites (#)</b>						
Hexacom	65,610	61,181	70,057	79,835	81,340	6.8
Bharti Airtel	6,06,783	7,52,136	8,32,369	9,31,854	9,78,832	15.4
Bharti ex-Hexacom	5,41,173	6,90,955	7,62,312	8,52,019	8,97,492	16.3
% of Airtel	10.8	8.1	8.4	8.6	8.3	
<b>Total data volume (b MB)</b>						
Hexacom	2,514	3,582	4,354	5,272	4,891	28.0
Bharti Airtel	32,541	45,203	54,148	65,978	59,673	26.6
Bharti ex-Hexacom	30,027	41,621	49,794	60,706	54,782	26.4
% of Airtel	7.7	7.9	8.0	8.0	8.2	
<b>Data usage per sub (GB/month)</b>						
Hexacom	16.8	19.9	21.7	23.1	26.0	11.2
Bharti Airtel	15.7	18.5	20.0	21.8	24.1	11.5
Bharti ex-Hexacom	14.0	18.4	19.8	21.6	23.9	15.7
% of Airtel	107.0	107.5	108.4	106.3	108.1	
<b>Total voice on network (b mins)</b>						
Hexacom	260	297	322	352	274	10.6
Bharti Airtel	3,603	4,104	4,348	4,667	3,628	9.0
Bharti ex-Hexacom	3,343	3,806	4,027	4,315	3,354	8.9
% of Airtel	7.2	7.2	7.4	7.5	7.5	
<b>Minutes of usage (min/month)</b>						
Hexacom	927	995	1,060	1,102	1,107	5.9
Bharti Airtel	992	1,056	1,096	1,131	1,137	4.5
Bharti ex-Hexacom	997.21	1,061	1,099	1,134	1,140	4.4
% of Airtel	93.4	94.2	96.7	97.4	97.3	

Source: MOFSL, Company

## Hexacom's home broadband segment significantly smaller; growth potential higher

Compared to ~7.5% share of Airtel's wireless subscriber base, Hexacom accounts for lower ~4% of Airtel's Home broadband (BB) subscriber base.

**Home broadband subs:** Compared to ~7.5% share of Airtel's wireless subscriber base, Hexacom accounts for lower ~4% of Airtel's Home broadband (BB) subscriber base. However, subscriber growth has been faster and with the rollout of FWA, we expect Hexacom's Home BB subscriber base to grow at a faster pace as compared to Airtel's over FY24-27.

**Reported Homes ARPU:** Similar to Airtel, Hexacom's ARPU in the Home segment has been on a declining trend over the past few years. We note Hexacom's reported Homes ARPU is ~10% lower than Airtel's. Given a higher share of the rural population in Hexacom circles, we believe the proportion of subscribers on entry-level plans would be higher vs. the pan-India level for Airtel. We do not expect any significant recovery in Homes BB ARPU for either Hexacom or Airtel over FY24-27. Further, we note that implied Homes ARPU for Hexacom is higher by ~INR75-80 per month. We believe this would likely be driven by Enterprise revenue from the small and medium businesses (SMBs).

**Homes revenue:** Hexacom accounts for a lower ~4% share of Airtel's Homes segment revenue (vs. ~7.5% share of India wireless revenue). However, we note that Hexacom's share has inched up to ~4.2% as of 9MFY25 from ~3% in FY21. Given lower Home BB penetration and likely higher uptake of FWA in Hexacom circles, we expect Hexacom's Home segment revenue to grow significantly faster as compared to Airtel's over FY24-27, with Hexacom's contribution further rising to ~5% by FY27.

**Homes EBITDA:** Hexacom made an operating loss in FY21 in the Homes BB segment and with a pick-up in subscriber growth over FY22-24, the segment's profitability improved sharply. Hexacom contributed 2.7% of Airtel's Homes EBITDA in 9MFY25.

**Given Hexacom's likely faster subscriber growth and higher operating leverage, we expect Hexacom to deliver superior growth in Homes EBITDA over FY24-27,** with contribution rising to ~4.5% by FY27.

**Homes EBITDA margin:** Over FY21-24, Hexacom's wireless EBITDA margins improved from losses in FY21 to ~34% by FY24 (vs. ~7 percentage point margin dip for Airtel). However, Airtel's Homes segment margin at ~50% is significantly ahead of Hexacom's (~32% in 9MFY25). Over FY24-27, we expect Hexacom's margin differential with Airtel to reduce further on account of better operating leverage and likely better margins in FWA.

Given lower Home BB penetration and likely higher uptake of FWA in Hexacom circles, we expect Hexacom's Home segment revenue/EBITDA to grow significantly faster than Airtel's over FY24-27.

**Exhibit 52: Comparison of Hexacom with Airtel on Home Broadband on operational and financial metrics**

Homes segment	FY21	FY22	FY23	FY24	9MFY25	FY25E	FY26E	FY27E	FY21-24 (%)	FY24-27 (%)
<b>Subscriber base (m)</b>										
Hexacom	0.1	0.1	0.2	0.3	0.4	0.4	0.6	0.8	63.3	38.3
Bharti Airtel	3.1	4.5	6.0	7.6	9.2	10.0	13.0	15.0	35.5	25.3
Bharti ex-Hexacom	3.0	4.4	5.8	7.3	8.8	9.6	12.4	14.2	34.7	24.7
% of Airtel	2.3	2.9	3.6	4.0	4.3	4.4	4.8	5.4		
<b>BB subscriber net adds (k)</b>										
Hexacom		61	88	86	90	137	185	180		
Bharti Airtel		1,416	1,563	1,575	1,605	2,379	3,000	2,000		
Bharti ex- Hexacom		1,355	1,476	1,488	1,515	2,243	2,816	1,820		
% of Airtel		4.3	5.6	5.5	5.6	5.8	6.2	9.0		
<b>Reported ARPU (INR/month)</b>										
Hexacom - BB ARPU	774	683	599	542	494	486	488	479	-11.2	-4.0
Hexacom - implied ARPU	861	892	735	655	575	562	544	523	-8.7	-7.3
Bharti Airtel	710	671	641	606	568	560	546	527	-5.1	-4.6
Delta vs Airtel	(64.2)	(12.1)	42.1	64.2	74.7	74.6	57.5	47.4		
Delta in % terms	9.0	1.8	(6.6)	(10.6)	(13.1)	(13.3)	(10.5)	(9.0)		
<b>Segment revenue (INR m)</b>										
Hexacom	723	1,076	1,543	2,059	1,812	2,517	3,487	4,494	41.7	29.7
Bharti Airtel	23,342	30,390	40,473	49,701	43,083	59,241	75,342	88,470	28.7	21.2
Bharti ex- Hexacom	22,619	29,314	38,930	47,642	41,271	56,724	71,854	83,976	28.2	20.8
% of Airtel	3.1	3.5	3.8	4.1	4.2	4.2	4.6	5.1		
<b>Segment EBITDA (INR m)</b>										
Hexacom	(272)	349	443	700	574	820	1,443	2,128	n/m	44.9
Bharti Airtel	13,434	16,095	20,495	24,883	21,535	29,681	40,658	48,852	22.8	25.2
Bharti ex- Hexacom	13,706	15,746	20,052	24,183	20,961	28,861	39,215	46,724	20.8	24.5
% of Airtel	(2.0)	2.2	2.2	2.8	2.7	2.8	3.5	4.4		
<b>Segmental EBITDA margin (%)</b>										
Hexacom	(37.6)	32.4	28.7	34.0	31.7	32.6	41.4	47.4		
Bharti Airtel	57.6	53.0	50.6	50.1	50.0	50.1	54.0	55.2		
Bharti ex- Hexacom	60.6	53.7	51.5	50.8	50.8	50.9	54.6	55.6		
Delta vs Airtel	(95.2)	(20.5)	(21.9)	(16.1)	(18.3)	(17.5)	(12.6)	(7.9)		
<b>Incremental margin (%)</b>										
Hexacom		176	20	50		35	64	68	72.8	58.7
Bharti Airtel		38	44	48		50	68	62	43.4	61.8
Bharti ex- Hexacom		30	45	47		51	68	62	41.9	62.0

Source: MOFSL, Company

**Hexacom to grow slightly ahead of Airtel over FY24-27**

We compare Hexacom's overall financials with Bharti Airtel's India wireless and Home Broadband segment.

We expect Hexacom to deliver slightly higher growth versus Airtel over FY24-27.

**Revenue:** Hexacom accounted for ~8% of Bharti's India wireless and Home broadband segment revenue. Over FY21-24, Airtel and Hexacom both delivered ~16% revenue CAGR. We expect Hexacom to deliver slightly higher revenue growth (vs. Airtel) over FY24-27.

**EBITDA:** Hexacom accounted for ~7% of Bharti's India wireless and Home broadband segment EBITDA, slightly lower than its revenue share likely due to payment of common costs for fiber and brand usage to Airtel. However, over FY21-24, Hexacom's EBITDA has grown at a significantly faster pace as compared to Airtel's driven by operating leverage. We expect Hexacom to deliver ~23% EBITDA CAGR over FY24-27 (vs. ~21% for Airtel).

**EBITDA margin:** Over FY21-24, Hexacom's reported EBITDA margin improved by ~25 percentage points, likely boosted by some realignment on IUC costs (vs. ~11

percentage points for Airtel). However, Hexacom's reported EBITDA margin at ~48%, was still significantly lower vs. ~55% for Airtel. Over FY24-27, we expect the gap between Hexacom and Airtel's EBITDA margins to further reduce.

**Overall capex:** Hexacom accounted for ~7% of Airtel's capex in India wireless and Homes broadband segment. Overall capex had increased sharply for both Airtel and Hexacom in FY24, due to accelerated 5G rollouts. However, we expect capex intensity to decline over FY24-27 for both Hexacom as well as Airtel.

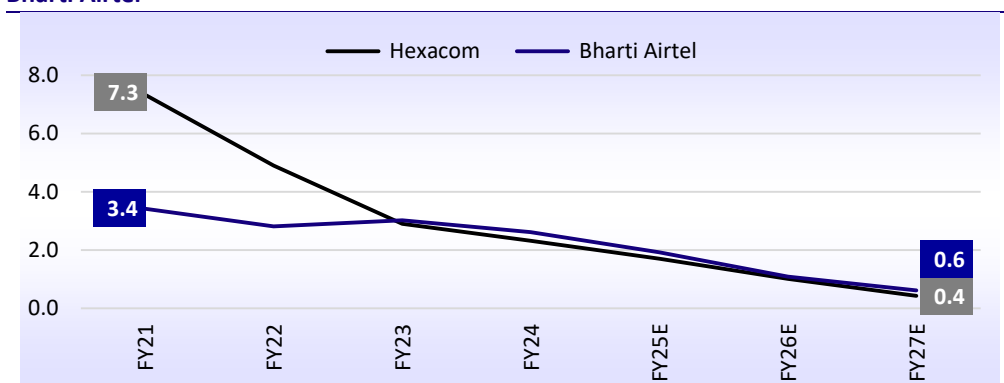
**Exhibit 53: Comparison of Hexacom's financials with Airtel's India wireless and Home Broadband segment financials**

(INRb)	FY21	FY22	FY23	FY24	9MFY25	FY25E	FY26E	FY27E	FY21-24 (%)	FY24-27 (%)
<b>Revenue</b>										
Hexacom	46	54	66	71	63	85	98	112	15.5	16.6
Airtel	579	662	800	900	779	1,063	1,219	1,391	15.8	15.6
Airtel ex-Hexacom	533	607	734	829	717	978	1,120	1,279	15.9	15.5
% of Airtel	7.9	8.2	8.2	7.9	8.0	8.0	8.0	8.1		
<b>Implied opex</b>										
Hexacom	35.5	35.9	37.9	37.3	32.3	42.9	46.4	49.5	1.6	9.9
Airtel	322.9	332.4	378.5	407.8	336.3	453.6	486.2	522.8	8.1	8.6
Airtel ex-Hexacom	287.4	296.5	340.5	370.5	304.0	410.7	439.8	473.3	8.8	8.5
% of Airtel	11.0	10.8	10.0	9.1	9.6	9.5	9.5	9.5		
<b>EBITDA</b>										
Hexacom	10.5	18.1	27.9	33.6	30.3	41.7	51.7	62.8	47.3	23.2
Airtel	256	329	421	492	443	609	732	868	24.4	20.8
Airtel ex-Hexacom	246	311	393	459	413	567	681	805	23.2	20.6
% of Airtel	4.1	5.5	6.6	6.8	6.8	6.9	7.1	7.2		
<b>EBITDA margin (%)</b>										
Hexacom	22.9	33.6	42.3	47.4	48.4	49.3	52.7	55.9	24.5	8.5
Airtel	44.2	49.8	52.7	54.7	56.8	57.3	60.1	62.4	10.5	7.7
Airtel ex-Hexacom	46.1	51.2	53.6	55.3	57.6	58.0	60.7	63.0	9.3	7.7
delta vs. Airtel	21.4	16.2	10.3	7.3	8.4	8.0	7.4	6.5		
<b>Implied depreciation</b>										
Hexacom	12.9	14.4	15.5	17.4	15.6	21.2	21.5	22.1	10.6	8.4
Airtel	217.9	244.2	263.9	292.2	247.7	333.1	364.7	400.7	10.3	11.1
Airtel ex-Hexacom	205.0	229.8	248.4	274.8	232.1	311.9	343.2	378.6	10.3	11.3
% of Airtel	5.9	5.9	5.9	6.0	6.3	6.4	5.9	5.5		
<b>EBIT</b>										
Hexacom	(2.3)	3.7	12.3	16.2	14.7	20.6	30.1	40.7	n/m	35.9
Airtel	38.2	84.9	157.3	200.2	195	275.9	367.6	467.4	73.7	32.7
Airtel ex-Hexacom	40.5	81.2	145.0	184.0	181	255.3	337.5	426.7	65.6	32.4
% of Airtel	(6.1)	4.4	7.8	8.1	7.5	7.5	8.2	8.7		
<b>EBIT margin</b>										
Hexacom	(5.1)	6.9	18.7	22.9	23.4	24.3	30.7	36.2	27.9	13.3
Airtel	6.6	12.8	19.7	22.2	25.1	26.0	30.2	33.6	15.6	11.4
Airtel ex-Hexacom	7.6	13.4	19.8	22.2	25.2	26.1	30.1	33.4	14.6	11.2
delta vs. Airtel	11.7	5.9	0.9	-0.6	1.6	1.6	-0.5	-2.6		
<b>Capex (ex-spectrum)</b>										
Hexacom	14.9	8.7	15.2	20.2	10.5	14.0	14.6	14.6	10.7	-10.3
Airtel	157.8	161.9	226.8	281.3	159.8	217.3	229.4	249.0	21.3	-4.0
Airtel ex-Hexacom	142.9	153.1	211.6	261.0	149.3	203.4	214.8	234.4	22.2	-3.5
% of Airtel	9.4	5.4	6.7	7.2	6.6	6.4	6.4	5.9		
<b>Capex to sales</b>										
Hexacom	32.4	16.2	23.0	28.5	16.7	16.5	14.9	13.0		
Airtel	27.2	24.5	28.4	31.2	20.5	20.5	18.8	17.9		
Airtel ex-Hexacom	26.8	25.2	28.8	31.5	20.8	20.8	19.2	18.3		
delta vs. Airtel	-5.1	8.3	5.3	2.7	3.8	4.0	3.9	4.9		

Source: MOFSL, Company

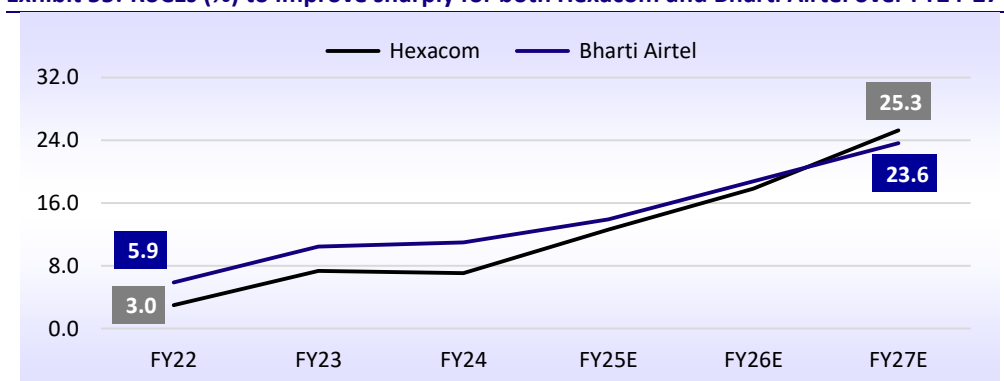


**Exhibit 54: Net debt to EBITDA (incl. leases) to moderate sharply for both Hexacom and Bharti Airtel**



Source: MOFSL, Company

**Exhibit 55: RoCEs (%) to improve sharply for both Hexacom and Bharti Airtel over FY24-27**



Note: Bharti's India business RoCE is lower than Hexacom, consolidated RoCE boosted by Airtel Africa;  
Source: MOFSL, Company

## Choosing between Bharti Airtel and Hexacom

### Positives for Hexacom:

#### Exposure to a pure-play, high-growth domestic business

Hexacom provides investors with pure-play exposure to the two high-growth potential businesses of Airtel - India wireless and Home broadband. The growth in Airtel's DTH, passive infra and Enterprise business is likely to remain relatively modest. While the contribution of Airtel Africa to Bharti has been on a declining trend, we note that Africa still accounts for 20%+ of Bharti Airtel's revenue and EBITDA, which exposes it to currency and geopolitical risks.

#### Slightly higher growth given under-penetrated circles

Given lower teledensity and lower data penetration in Hexacom circles (vs. pan-India), we believe Hexacom would grow a few percentage points ahead of Airtel on both subscriber and ARPU. Further, with significantly lower penetration of fixed broadband in Hexacom's circles and the recent FWA rollout, we believe Hexacom's broadband business could also grow at a faster clip (vs. Airtel).

#### Lower capital misallocation risks:

The most important factor that drives our preference for Hexacom over Airtel is the lower capital misallocation risks associated with Hexacom. In our view, capital allocation is the single most important monitorable for Bharti Airtel going forward, with nearly ~INR500b in annual FCF generation.

Given that high-cost debt has been largely paid up and leverage is under control, we expect dividend payments/shareholder returns to improve. However, Bharti's Chairman has indicated in the past that Airtel could look at overseas acquisitions in the coming years. We note that Bharti's past track record in overseas acquisitions has not been great. Bharti initially struggled for several years following their acquisition of Zain's African assets. It took the group nearly a decade to turn around African operations. Similarly, Bharti hasn't been able to establish a leadership position in South Asia and had to merge its operations with larger players in both Bangladesh (Robi Axiata) and Sri Lanka (Dialog). We would be wary of any overseas acquisition by Bharti Airtel.

On the other hand, we believe the FCF generation in Hexacom would be first used to deleverage the balance sheet, and then excess cash would largely be paid out as dividends to shareholders. We anticipate a lower capital misallocation risk with Hexacom, which could lead to premium multiples for Hexacom (vs. Airtel).

### Positives for Airtel:

#### Higher potential of market share gains

As we noted in prior sections Hexacom's circles are more consolidated among the top two telcos (with North East effectively a duopoly). While higher concentration typically provides for better monetization, it also reduces the growth opportunity through market share gains.

### **Cheaper implied valuations**

Hexacom trades at ~15% premium to implied valuations for Bharti Airtel's India business (excluding Indus). We believe a slight premium could be justified given higher return ratios, and a cleaner balance sheet (no currency, geopolitical risk, etc) and absence of relatively lower growth DTH business in Hexacom. There is a case for a merger of Hexacom into Airtel in the future and there could also be a slight risk of an unfavorable merger ratio for Hexacom if it continues to trade at a premium to Airtel.

### **Potential stake sale by GoI remains an overhang**

The Government of India (GoI) held a 30% stake in Hexacom and sold a 15% stake in the IPO in Apr'24. We note that the GoI is now free to sell its remaining 15% stake in Hexacom. The timelines for stake sale isn't finalized, but it could act as an overhang on Hexacom. Though, we believe there is also an overhang of promoter stake sale for Airtel, given 1) rising debt at promoter level (~INR380b debt on Bharti Telecom, a 51-49% JV between Bharti Enterprises and Singtel) and 2) potential stake equalization between Singtel (29.4% effective stake) and Bharti Enterprises (~22.9% effective stake).

## Initiate coverage with a BUY and a TP of INR1,625

Expect Hexacom to deliver ~17%/23% revenue/EBITDA CAGR over FY24-27

Expect Hexacom to deliver  
~17%/23% revenue/EBITDA  
CAGR over FY24-27

### Key operating assumptions for Hexacom:

- **Paying wireless subs:** Hexacom accounts for ~7.7% of Bharti Airtel's paying wireless subscriber base and we build in a modest ~2.3% paying subs CAGR over FY24-27E to reach 29.3m subs by FY27.
- **Data subs:** Hexacom trails Bharti Airtel by ~160bp on data subs proportion in the paying wireless subs. Given the focus on premiumization of subscriber mix, we expect faster ~8.4% CAGR in data subs for Hexacom over FY24-27E (vs. ~7.7% CAGR for Airtel), with the proportion of subs opting for data rising to ~86% by FY27 (~70bp lower than our estimate for Airtel).
- **Wireless ARPU:** Similar to Airtel and other telcos, we build in ~15% (or INR50/month) hike on the base pack in Dec'25. Overall, we build in ~13% CAGR in wireless ARPU over FY24-27E for Hexacom, with FY27 ARPU touching INR288 (slightly below our FY27 ARPU estimate of INR291 for Airtel).
- **Home Broadband subs:** Hexacom accounts for ~4% of Bharti Airtel's Homes broadband subscriber base. We expect better pick-up for AirFiber offerings in Hexacom circles and lower home broadband penetration. Overall, we build in ~38% CAGR in Hexacom's broadband subs (vs. ~25% for Airtel), with the share in Bharti Airtel's Home broadband subs improving to ~5.5% by FY27 (still lower than Hexacom's share in Airtel's wireless subs).
- **Home Broadband ARPU:** Hexacom's Home Broadband reported ARPU is ~INR55/month lower than Airtel's and we do not build in any increase in Home Broadband ARPU; rather we expect Home ARPU to decline to ~INR479 by FY27, due to customer acquisition at cheaper plans.

### Exhibit 56: Key assumptions for Hexacom

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Mobility business</b>							
<b>Paying subscriber base ('000s)</b>	<b>24,979</b>	<b>24,767</b>	<b>25,827</b>	<b>27,341</b>	<b>27,901</b>	<b>28,550</b>	<b>29,272</b>
Net monthly additions ('000s)		(18)	88	126	47	54	60
Data subscribers ('000s)	13,888	15,382	17,333	19,773	21,580	23,535	25,221
Net monthly additions ('000s)		125	163	203	151	163	141
<b>Wireless ARPU (INR/sub/month)</b>	<b>135</b>	<b>155</b>	<b>186</b>	<b>198</b>	<b>228</b>	<b>257</b>	<b>288</b>
Change (%)		14.7	20.0	6.7	15.1	12.6	12.2
Data volumes (b MB)	2,514	3,582	4,354	5,272	6,645	7,987	9,597
Change (%)		42.5	21.6	21.1	26.0	20.2	20.2
Data consumption (MB/sub/month)	17,203	20,396	22,182	23,681	26,781	29,506	32,805
Change (%)		18.6	8.8	6.8	13.1	10.2	11.2
Voice traffic (b mins)	260	297	322	352	370	393	409
Change (%)		14.5	8.3	9.3	5.3	6.1	4.0
MOU (min/sub/month)	866	995	1,060	1,102	1,117	1,160	1,178
Change (%)		15.0	6.5	4.0	1.4	3.8	1.5
<b>Homes and offices</b>							
<b>EqP subscriber base ('000s)</b>	<b>70</b>	<b>131</b>	<b>219</b>	<b>305</b>	<b>442</b>	<b>626</b>	<b>806</b>
Net monthly additions ('000s)		5.1	7.3	7.2	11.4	15.4	15.0
<b>Implied ARPU (INR/month)</b>	<b>774</b>	<b>683</b>	<b>599</b>	<b>542</b>	<b>486</b>	<b>488</b>	<b>479</b>
Change (%)		(11.8)	(12.4)	(9.5)	(10.4)	0.6	(1.9)
<b>Capex (INR m)</b>							
Mobility (ex-spectrum)	14,602	8,320	14,563	18,970	11,700	11,862	11,898
as % of revenues	32.2	15.7	22.7	27.4	14.1	12.5	11.0
<b>Overall (ex-spectrum)</b>	<b>14,898</b>	<b>8,745</b>	<b>15,162</b>	<b>20,235</b>	<b>13,952</b>	<b>14,629</b>	<b>14,598</b>
as % of revenues	32.4	16.2	23.0	28.5	16.3	14.9	13.0
Overall (with spectrum)	15,767	8,745	29,939	20,235	23,953	14,629	14,598
as % of revenues	34.3	16.2	45.5	28.5	28.0	14.9	13.0

### Key financial assumptions for Hexacom:

**Revenue:** We expect a revenue CAGR of ~17% over FY24-27E, driven by 1) a tariff hike in the mobility segment and 2) a faster ramp-up of AirFiber offerings. We note that our revenue forecast of ~17% CAGR over FY24-27E for Hexacom is slightly ahead of our forecast of ~16% CAGR for Bharti Airtel's Homes and India wireless segment.

**EBITDA:** We build in EBITDA CAGR of ~23% over FY24-27E (vs. ~21% for Airtel's India Homes+Wireless), with the EBITDA margin improving to ~56% by FY27, driven by operating leverage from the tariff hikes and scale-up in the Home Broadband segment. We expect Hexacom's EBITDA growth to outpace Airtel's given the larger scope of margin expansion and no drag from slower growth in the DTH and Enterprise businesses.

**Capex:** Similar to Airtel, we believe the wireless capex has likely peaked in FY24. Further, we do not expect any significant capex on spectrum acquisition in Hexacom.

**Exhibit 57: Expect a revenue/EBITDA CAGR of ~17%/23% over FY24-27 for Hexacom**

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Segmental revenue (INR b)</b>							
Mobility	45	53	65	69	83	95	108
Homes and offices	1	1	2	2	3	3	4
<b>Hexacom</b>	<b>46</b>	<b>54</b>	<b>66</b>	<b>71</b>	<b>85</b>	<b>98</b>	<b>112</b>
Eliminations	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Segmental EBITDA (INR b)</b>							
Mobility	12	19	28	34	43	52	63
Homes and offices	(0)	0	0	1	1	1	2
<b>Hexacom</b>	<b>11</b>	<b>18</b>	<b>28</b>	<b>34</b>	<b>42</b>	<b>52</b>	<b>63</b>
Eliminations	(1)	(1)	(1)	(1)	(2)	(2)	(2)
<b>Segmental EBITDA margin (%)</b>							
Mobility	25.8	35.0	44.0	49.4	51.7	55.0	58.1
Homes and offices	(37.6)	32.4	28.7	34.0	32.6	41.4	47.4
<b>Hexacom</b>	<b>22.9</b>	<b>33.6</b>	<b>42.3</b>	<b>47.4</b>	<b>49.3</b>	<b>52.7</b>	<b>55.9</b>
<b>Segmental Capex (INR b)</b>							
Mobility	15.5	8.3	14.6	19.0	11.7	11.9	11.9
Homes and offices	0.3	0.4	0.6	1.3	2.3	2.8	2.7
<b>Hexacom</b>	<b>15.8</b>	<b>8.7</b>	<b>15.2</b>	<b>20.2</b>	<b>14.0</b>	<b>14.6</b>	<b>14.6</b>
<b>Capex to sales (%)</b>							
Mobility	34.0	15.6	22.5	27.4	14.1	12.5	11.0
Homes and offices	40.9	39.5	38.8	61.4	89.5	79.4	60.1
<b>Hexacom</b>	<b>34.3</b>	<b>16.2</b>	<b>23.0</b>	<b>28.5</b>	<b>16.3</b>	<b>14.9</b>	<b>13.0</b>

Source: MOFSL, Company

**Exhibit 58: For every INR10/month change in ARPU, Hexacom's FY27E EBITDA changes by ~INR2.25b (or ~3.6%)**

FY27E EBITDA (INR b)	FY27E wireless ARPU (INR)				
	268	278	288	298	308
<b>28.3</b>	57.3	59.5	61.7	63.9	66.1
<b>28.8</b>	57.8	60.0	62.3	64.5	66.7
<b>29.3</b>	58.3	60.6	<b>62.8</b>	65.1	67.3
<b>29.8</b>	58.8	61.1	63.4	65.7	67.9
<b>30.3</b>	59.4	61.7	63.9	66.2	68.5

Source: MOFSL, Company



**Exhibit 59: Hexacom's quarterly net debt to EBITDA on a declining trend, with leverage reducing to ~1x**

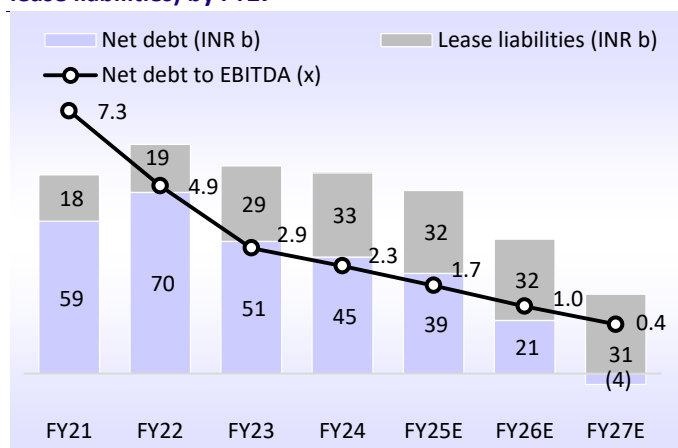
Debt and cash trends (INR m)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
<b>Reported gross debt</b>	<b>62,693</b>	<b>62,746</b>	<b>62,353</b>	<b>62,529</b>	<b>48,347</b>	<b>40,032</b>	<b>48,901</b>	<b>43,033</b>
LT debt	19,999	-	-	-	-	-	-	-
ST debt (inc. current maturities)	15,001	35,053	35,013	35,189	20,001	11,686	11,907	6,040
Deferred payment liabilities	27,693	27,693	27,340	27,340	28,346	28,346	36,994	36,993
<b>Cash and Cash Equivalents</b>	<b>11,015</b>	<b>13,153</b>	<b>15,775</b>	<b>18,605</b>	<b>2,774</b>	<b>211</b>	<b>340</b>	<b>187</b>
Cash and Cash Equivalents	555	168	463	247	398	153	334	169
Investments & Receivables	10,460	12,985	15,312	18,358	2,376	58	6	18
<b>Net Debt excluding Lease Obligations</b>	<b>51,678</b>	<b>49,593</b>	<b>46,578</b>	<b>43,924</b>	<b>45,573</b>	<b>39,820</b>	<b>48,561</b>	<b>42,846</b>
Lease Obligation	29,343	30,361	30,968	31,792	32,700	35,600	36,229	36,054
<b>Net Debt including Lease Obligations</b>	<b>81,021</b>	<b>79,954</b>	<b>77,546</b>	<b>75,716</b>	<b>78,273</b>	<b>75,420</b>	<b>84,790</b>	<b>78,900</b>
<b>Net debt (including leases) to EBITDA (x)</b>	<b>2.63</b>	<b>2.41</b>	<b>2.35</b>	<b>2.29</b>	<b>2.23</b>	<b>2.15</b>	<b>2.12</b>	<b>1.71</b>
<b>Net debt (excluding leases) to EBITDAaL (x)</b>				<b>1.49</b>	<b>1.46</b>	<b>1.29</b>	<b>1.35</b>	<b>1.03</b>

Source: Company, MOFSL

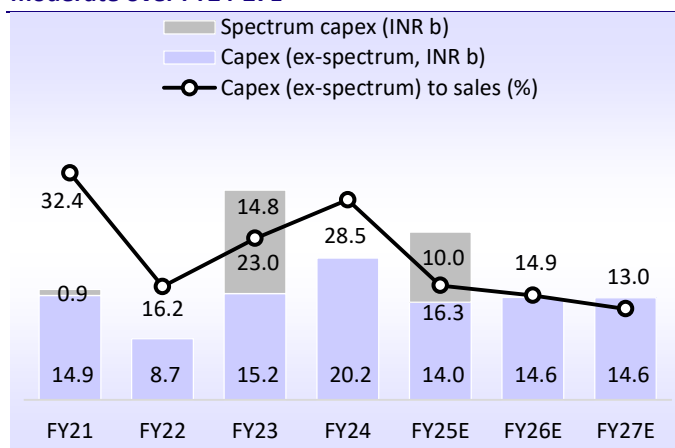
**Exhibit 60: Hexacom currently annualizing FCF (after leases and interest) of ~INR20b**

FCF after lease and interest (INR m)	4QFY23	1QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	9MFY25	FY2024
<b>CF before WC changes</b>	<b>7,940</b>	<b>8,676</b>	<b>8,770</b>	<b>8,949</b>	<b>8,610</b>	<b>8,569</b>	<b>10,207</b>	<b>27,386</b>	<b>34,764</b>
WC changes	-386	305	646	-2,791	4,475	1,826	631	6,932	697
<b>Cashflow from operations</b>	<b>7,554</b>	<b>8,981</b>	<b>9,416</b>	<b>6,158</b>	<b>13,085</b>	<b>10,395</b>	<b>10,838</b>	<b>34,318</b>	<b>35,461</b>
Lease payments	-665	-666	-736	-702	-755	-750	(1,004)	(2,509)	-2,930
<b>Capex in tangible assets</b>	<b>-3,318</b>	<b>-4,999</b>	<b>-5,335</b>	<b>-4,902</b>	<b>-4,728</b>	<b>-3,787</b>	<b>(3,969)</b>	<b>(12,484)</b>	<b>-20,477</b>
Capex in intangible assets	0	-	1	0	0	-1,465	(56)	(1,522)	-352
Paid finance cost	-1,502	-1,771	-739	-1,315	-1,728	-1,661	(671)	(4,060)	-5,356
<b>FCF after lease and interest payment</b>	<b>2,069</b>	<b>1,545</b>	<b>2,606</b>	<b>-761</b>	<b>5,874</b>	<b>4,197</b>	<b>5,194</b>	<b>15,265</b>	<b>6,698</b>

Source: Company, MOFSL

**Exhibit 61: We expect Hexacom to turn net cash (excluding lease liabilities) by FY27**


Source: MOFSL, Company

**Exhibit 62: Hexacom's capex (ex-spectrum) as a % of sales to moderate over FY24-27E**


Source: MOFSL, Company

## Ascribe a TP of INR1,625

We value Hexacom on an SoTP-basis. We value the Wireless business on a DCF (WACC: 10.5%, terminal growth: 4.5%) to arrive at an Enterprise value of INR822b, implying ~13x FY27 EV/EBITDA (on par with our DCF implied 13x FY27 EV/EBITDA multiple for Bharti's India wireless segment). We use the same DCF-implied multiple for the Homes and Offices segment to arrive at our **TP of INR1,625**.

**Base case:** We build in the next round of tariff hike of ~15% in Dec'25E to drive FY24-27E CAGR of ~13%/16%/23% in wireless ARPU/revenue/EBITDA. Beyond FY27, we build in ~6% ARPU CAGR over FY27-34E, in our base case. Our subscriber growth estimates are modest at ~1.6% over FY24-34, broadly in line with the population growth rate. Overall, we build in ~10%/12% wireless revenue and EBITDA CAGR over FY24-34 to arrive at our **base case TP of INR1,625**.

**Bear case:** We build in the next tariff hike of ~10% in Dec'25E to drive FY24-27E CAGR of ~11%/13%/17% in wireless ARPU/revenue/EBITDA. Beyond FY27, we build in ~5% ARPU CAGR over FY27-34E. Our subscriber growth estimates are modest at ~1.3% over FY24-34 (vs. ~1.6% in the base case) as we expect higher competitive intensity. Overall, we build in ~8%/9% wireless revenue/EBITDA CAGR over FY24-34 for our **bear case TP of INR1,150**.

**Bull case:** We build in the next tariff hike of ~20% in Dec'25E to drive FY24-27E CAGR of ~15%/18%/24% in wireless ARPU/revenue/EBITDA. Beyond FY27, we build in ~7% ARPU CAGR over FY27-34E (vs. ~6% CAGR in the base case). Our subscriber growth estimates are modest at ~1.3% over FY24-34 (vs. ~1.6% in the base case) as we expect sharper tariff hikes to weigh on subscriber growth. Overall, we build in ~11%/13% wireless revenue and EBITDA CAGR over FY24-34 to arrive at our **bull case TP of INR1,875**.

**Exhibit 63: We ascribe INR822b (or INR1,644) Enterprise Value to Hexacom's mobility business in our base case**

	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY36E
<b>Assumptions</b>												
Paying subscriber base (m)	27.9	28.5	29.3	29.8	30.3	30.8	31.2	31.5	31.8	32.1		
Net adds (m)	0.6	0.6	0.7	0.5	0.5	0.5	0.4	0.4	0.3	0.3		
ARPU (INR/month)	228	257	288	314	338	360	381	400	418	435		
YoY (%)	15.1	12.6	12.2	9.0	7.5	6.5	6.0	5.0	4.5	4.0		
<b>DCF model (INR b)</b>												
EBITDA	43	53	63	71	77	84	90	96	102	106		
Adjusted tax expense	-4	-6	-9	-11	-13	-15	-16	-18	-19	-20		
Change in working capital	1	1	1	1	1	1	1	1	1	1		
<b>Operating cash flow</b>	<b>40</b>	<b>47</b>	<b>55</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>75</b>	<b>79</b>	<b>83</b>	<b>87</b>		
Capital expenditure	-12	-12	-12	-19	-20	-23	-23	-24	-24	-25		
<b>Free cash flow</b>	<b>28</b>	<b>35</b>	<b>43</b>	<b>42</b>	<b>46</b>	<b>47</b>	<b>52</b>	<b>56</b>	<b>59</b>	<b>62</b>	<b>65</b>	<b>68</b>
Discounted FCF-Now	28	32	35	31	31	29	28	28	27	25		
Discounted FCF-1 year forward		35	39	34	34	32	31	30	30	28	26	
Discounted FCF-2 year forward			43	38	37	35	35	34	33	31	29	28
	<b>Now</b>	<b>+1-year</b>	<b>+2-years</b>									
WACC (%)	10.5%	10.5%	10.5%									
<b>Total PV of free cash flow</b>	<b>293</b>	<b>319</b>	<b>342</b>									
Terminal growth rate (%)	4.5%	4.5%	4.5%	<b>Sensitivity of 12-month fair value to WACC and perpetual growth</b>								
FCF in terminal year (INR b)	62	65	68	<b>Terminal growth (%)</b>								
Exit FCF multiple (x)	17.4	17.4	17.4									
Exit EV/EBITDA multiple (x)	10.2	10.6	11.1									
Terminal value	1,081	1,130	1,181									
<b>PV of terminal value</b>	<b>440</b>	<b>460</b>	<b>480</b>									
<b>EV of mobility business (INR b)</b>	<b>733</b>	<b>779</b>	<b>822</b>									
<b>Implied EV/EBITDA (x)</b>	<b>17.0</b>	<b>14.8</b>	<b>13.0</b>									
Shares outstanding (m)	500	500	500									
<b>EV/share for Hexacom mobility (INR/share)</b>	<b>1,466</b>	<b>1,558</b>	<b>1,644</b>									

Source: MOFSL, Company

**Exhibit 64: We build in ~23% EBITDA CAGR over FY24-27E, driven by ~13% ARPU CAGR, in our base case (%)**

FY24-27E	Bear	Base	Bull
Paying subs	1.8	2.3	1.8
Wireless ARPU	11.4	13.3	15.1
Wireless revenue	13.2	16.0	18.2
Wireless EBITDA	16.6	22.7	23.5

Source: MOFSL, Company

**Exhibit 65: We build in ~8% EBITDA CAGR over FY27-34E, driven by ~6% ARPU CAGR, in our base case (%)**

FY27-34E	Bear	Base	Bull
Paying subs	1.0	1.3	1.0
Wireless ARPU	5.0	6.1	7.0
Wireless revenue	5.7	7.5	7.5
Wireless EBITDA	6.4	7.7	9.0

Source: MOFSL, Company

**Exhibit 66: Scenario analysis for Hexacom's mobility business implies a favorable risk-reward (%)**

	Base	Bear	Bull
<b>Hexacom- wireless</b>			
10-year subscriber CAGR	1.6	1.3	1.3
<b>10-year ARPU CAGR</b>	<b>8.2</b>	<b>6.9</b>	<b>9.4</b>
INR 300 ARPU achieved by	FY28	FY29	FY27
10-yr revenue CAGR	10.0	7.9	10.6
<b>10-yr EBITDA CAGR</b>	<b>12.0</b>	<b>9.3</b>	<b>13.1</b>
<b>Enterprise value (INR b)</b>	<b>822</b>	<b>597</b>	<b>942</b>
Implied FY2027E EV/EBITDA (x)	13.0	11.0	14.6
<b>Hexacom wireless Enterprise value (INR/share)</b>	<b>1,644</b>	<b>1,194</b>	<b>1,884</b>
<b>Hexacom SoTP based Fair value (INR/share)</b>	<b>1,625</b>	<b>1,150</b>	<b>1,875</b>
Upside / downside to CMP	30	-8	50

Source: MOFSL, Company

**Exhibit 67: We ascribe a TP of INR1,625 to Hexacom**

	Valuation base (INR b)		Multiple (x)	Valuation	
	Mar 2027 EBITDA	EBITDA	Other	(INR b)	(INR/sh)
<b>Hexacom</b>					
<b>Mobility</b>	<b>63</b>	<b>13.0</b>	<b>DCF implied</b>	<b>822</b>	<b>1,644</b>
Homes and offices	2	13.0		28	55
<b>Hexacom EV</b>	<b>65</b>	<b>13.0</b>		<b>850</b>	<b>1,699</b>
Net debt (including leases)				52	104
Dividends				15	30
<b>Hexacom equity value</b>				<b>812</b>	<b>1,625</b>

Source: MOFSL, Company

**Exhibit 68: Hexacom's risk-reward appears favorable**

	Base	Bear	Bull
<b>Hexacom (INR/sh)</b>			
<b>Mobility</b>	<b>1,644</b>	<b>1,194</b>	<b>1,884</b>
Homes and offices	55	40	63
<b>Hexacom EV</b>	<b>1,699</b>	<b>1,234</b>	<b>1,947</b>
Net debt (including leases)	104	108	110
Dividends	30	25	38
<b>Hexacom equity value</b>	<b>1,625</b>	<b>1,150</b>	<b>1,875</b>
<i>Upside/downside to CMP(%)</i>	22	(13)	41

Source: MOFSL, Company

**Exhibit 69: For every INR10/month change in ARPU, Hexacom's TP can change by ~INR61/share (or ~3.8%)**

TP (INR/share)	FY27E wireless ARPU (INR)				
	268	278	288	298	308
<b>28.3</b>	1,475	1,535	1,595	1,654	1,714
<b>28.8</b>	1,489	1,549	1,610	1,670	1,730
<b>29.3</b>	1,503	1,564	<b>1,625</b>	1,686	1,747
<b>29.8</b>	1,517	1,579	1,640	1,701	1,763
<b>30.3</b>	1,531	1,593	1,655	1,717	1,779

Source: MOFSL, Company

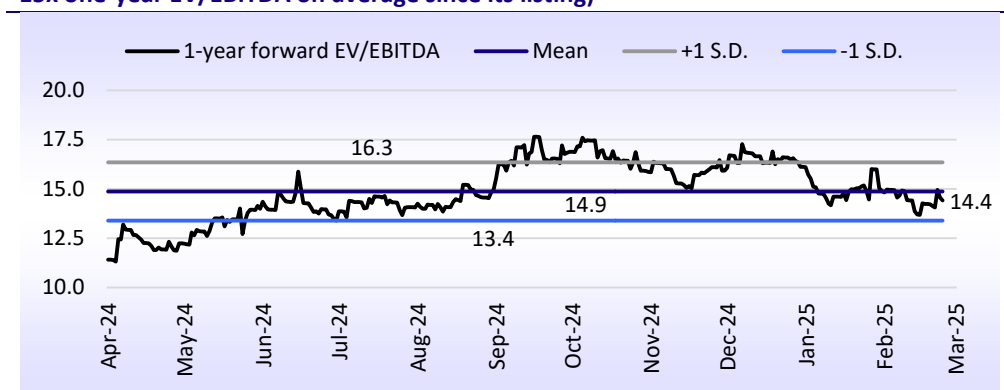
**Hexacom trades at ~15% premium to Bharti's India business**

Since Hexacom's listing day, Hexacom has typically traded at a premium to Bharti Airtel. The premium looks optically higher as Bharti Airtel's EBITDA includes full EBITDA contributions from Airtel Africa and Indus Towers, but holds ~61.5% and ~50% stakes, respectively. Further, Airtel Africa trades at subdued valuations. Adjusting for Bharti's stake in Airtel Africa and Indus Towers, we estimate Hexacom's average premium to Bharti's India business has been ~15% on average.

Hexacom currently trades at 14.4x one-year forward EV/EBITDA (~15% premium to the implied valuation for Bharti's India business). Given its slightly higher growth, superior return ratios, and lower capital misallocation overhangs, we believe Hexacom could continue to trade at a premium to implied multiples Bharti's India business.

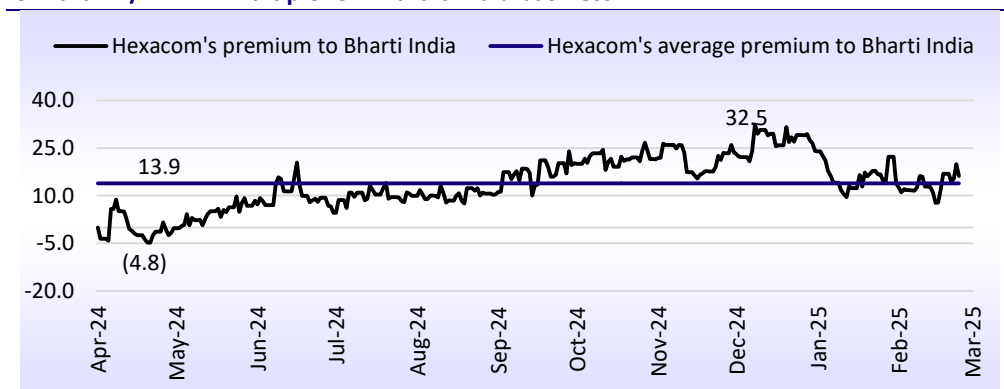
Given Hexacom's slightly higher growth, superior return ratios, and lower capital misallocation overhangs, we believe Hexacom could continue to trade at a premium to implied multiples for Bharti's India business.

**Exhibit 70: Hexacom currently trades at ~14.4x rolling one-year forward EV/EBITDA (vs. ~15x one-year EV/EBITDA on average since its listing)**



Source: MOFSL, Company

**Exhibit 71: Hexacom currently trades at an average ~15% premium to implied one-year forward EV/EBITDA multiple for Bharti's India business**



Source: MOFSL, Company



**Exhibit 72: Indian telcos justifiably trade at a premium to global peers, given their better growth prospects**

Global Telco comps	Enterprise Value	Mcap	EV/ EBITDA (x)			Net debt/ EBITDA (x)			EBITDA margin (%)			RoE (%)			EBITDA CAGR (%)
	(USD b)	(USD b)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY24-27E
Bharti Airtel	132	112	13.1	10.6	9.2	1.9	1.1	0.6	53.9	56.6	57.3	17.9	18.4	20.8	19.1
Vodafone Idea	34	6	16.1	15.9	14.1	12.8	13.1	11.6	41.3	40.2	41.6	n/m	n/m	n/m	6.3
Hexacom	9	8	17.6	14.4	11.8	1.7	1.0	0.4	49.3	52.7	55.9	22.4	29.6	34.7	23.2
<b>Indian telcos average</b>			<b>15.6</b>	<b>13.6</b>	<b>11.7</b>	<b>5.5</b>	<b>5.1</b>	<b>4.2</b>	<b>48.2</b>	<b>49.8</b>	<b>51.6</b>	<b>20.1</b>	<b>24.0</b>	<b>27.8</b>	<b>16.2</b>
Verizon Inc	333	168	7.0	6.8	6.7	3.3	3.2	3.1	36.5	36.8	37.1	18.9	17.6	17.6	0.4
AT&T	330	176	7.6	7.3	7.1	3.4	3.3	3.2	37.3	37.9	38.7	13.3	13.3	14.2	2.7
T-Mobile	390	281	12.2	11.5	10.5	3.2	3.0	2.8	39.0	39.7	n/m	19.7	24.5	n/m	2.8
<b>US telcos average</b>			<b>8.9</b>	<b>8.5</b>	<b>8.1</b>	<b>3.3</b>	<b>3.2</b>	<b>3.0</b>	<b>37.6</b>	<b>38.1</b>	<b>37.9</b>	<b>17.3</b>	<b>18.5</b>	<b>15.9</b>	<b>2.0</b>
Deutsche Telecom	351	172	7.2	6.8	n/m	3.7	3.5	n/m	38.5	39.3	n/m	16.0	15.4	n/m	n/m
Vodafone Plc	71	22	5.9	5.6	5.6	4.3	4.1	4.1	29.2	29.9	n/m	3.2	3.5	n/m	(6.8)
Orange	69	29	5.4	5.2	5.1	3.0	2.9	2.8	31.7	32.1	32.8	8.5	9.2	9.7	0.3
Telefonica	70	24	5.4	5.4	n/m	3.6	3.6	n/m	31.8	31.3	n/m	8.6	8.9	n/m	n/m
Telenor	25	17	8.2	8.0	n/m	2.7	2.6	n/m	44.0	44.7	n/m	16.4	19.5	n/m	n/m
<b>European telcos average</b>			<b>6.2</b>	<b>5.4</b>	<b>5.4</b>	<b>3.4</b>	<b>3.3</b>	<b>3.5</b>	<b>35.0</b>	<b>35.5</b>	<b>32.8</b>	<b>10.5</b>	<b>11.3</b>	<b>9.7</b>	<b>-3.3</b>
China Mobile	186	218	4.3	4.2	4.1	(1.0)	(1.0)	(1.0)	32.9	32.8	32.6	10.2	10.3	10.6	1.9
China Unicom	86	90	4.9	4.7	4.5	(0.6)	(0.5)	(0.5)	26.8	27.0	27.0	7.4	7.7	8.1	3.8
China Telecom	25	30	2.4	2.4	2.4	(0.5)	(0.5)	(0.5)	26.6	26.0	25.8	5.7	6.0	6.3	1.8
<b>China telcos average</b>			<b>3.9</b>	<b>3.8</b>	<b>3.7</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>28.8</b>	<b>28.6</b>	<b>28.5</b>	<b>7.8</b>	<b>8.0</b>	<b>8.4</b>	<b>2.5</b>
SK Telecom	15	8	3.6	3.7	3.8	1.6	1.5	1.5	30.7	31.2	30.5	9.6	10.6	10.7	(0.2)
KT Corp	14	8	3.2	3.3	3.1	1.3	1.3	1.2	22.5	21.8	22.2	9.6	8.2	8.8	5.2
LG Uplus	7	3	2.8	2.8	2.8	1.6	1.6	1.6	24.5	24.3	23.4	6.8	7.1	7.9	0.7
<b>Korea telcos average</b>			<b>3.2</b>	<b>3.3</b>	<b>3.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>25.9</b>	<b>25.8</b>	<b>25.4</b>	<b>8.7</b>	<b>8.6</b>	<b>9.1</b>	<b>1.9</b>
Axiata	13	5	4.8	4.7	4.6	3.2	3.2	3.1	47.1	46.1	46.7	3.9	4.6	5.0	1.9
Maxis	8	6	8.4	8.3	8.2	2.1	2.1	2.1	39.1	40.0	39.7	24.5	25.2	25.1	1.4
Celcom Digi	13	10	9.0	8.8	8.7	2.1	2.1	2.1	46.6	47.2	47.1	11.3	12.5	12.8	4.0
<b>Malaysia telcos average</b>			<b>7.3</b>	<b>7.2</b>	<b>7.2</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>43.1</b>	<b>43.1</b>	<b>43.2</b>	<b>14.2</b>	<b>14.9</b>	<b>15.1</b>	<b>1.6</b>
Chungwa Telecom	30	30	11.2	11.0	n/m	(0.0)	(0.0)	n/m	37.9	37.8	n/m	9.8	10.1	n/m	n/m
SingTel	47	40	17.0	16.2	15.6	2.4	2.2	2.2	26.7	27.3	27.7	10.6	11.4	12.8	21.5
Telekom Indonesia	19	15	3.9	3.7	3.6	0.8	0.8	0.8	51.2	52.0	51.8	17.0	17.3	17.4	2.9
XL Axiata	5	2	4.0	3.8	n/m	2.4	2.3	n/m	49.9	50.4	n/m	8.0	9.0	9.5	n/m
Indosat	7	4	3.6	3.4	3.2	1.9	1.8	1.7	48.4	48.7	48.8	15.8	17.0	17.5	6.6
<b>Other regional telcos average</b>			<b>8.0</b>	<b>7.6</b>	<b>7.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>	<b>42.8</b>	<b>43.3</b>	<b>42.8</b>	<b>12.3</b>	<b>12.9</b>	<b>14.3</b>	<b>10.3</b>
<b>Global telcos average</b>			<b>7.6</b>	<b>7.1</b>	<b>6.7</b>	<b>2.4</b>	<b>2.3</b>	<b>2.1</b>	<b>37.4</b>	<b>37.8</b>	<b>37.6</b>	<b>12.3</b>	<b>13.2</b>	<b>13.9</b>	<b>5.0</b>

Note: Bharti's consolidated EV/EBITDA multiple includes full benefits of Airtel Africa. Our multiple for Bharti's India wireless business is ~13x

Source: MOFSL, Company

## Key risks

**Increase in competitive intensity:** The Indian telecom sector has consolidated from 12+ telecom operators to a 3+1 structure. However, the competitive intensity still remains high, as can be seen by the high cost of customer acquisition, despite virtually no growth in the industry's subscriber base over the past several years. An increase in competitive intensity would hurt Hexacom's ability to retain/gain subscribers and/or raise tariffs, which will impact its subscribers and RMS and also its profitability.

**Adverse regulatory environment:** In the past Indian telecom industry has faced several setbacks on the regulatory front. We note, that the regulatory environment for the Indian telcos has been benign in the last few years. However, with an increase in entry-level mobile tariffs and consolidation in the industry, the regulatory environment could turn adverse and impact the company's financials.

**Concentration in select states:** Unlike Bharti Airtel, which has a pan-India presence, Hexacom is present in only two circles – Rajasthan and North East. Any adverse developments in Hexacom's circles - be it economic, social or weather disruptions etc, could disproportionately impact Hexacom as compared to pan-India telecom operators such as Reliance Jio, Vodafone Idea, and BSNL.

**Dependence on the parent, Bharti Airtel:** Hexacom has entered into a licensing agreement with its promoter for the use of "Airtel" brand in Rajasthan and North East Circle. Further, Hexacom derives significant synergies from its relationship with Bharti Airtel and its affiliates, including dependence on fiber and services such as DTH, etc. Any change in relationship could impact the company's operating and financial performances.

**Merger with Bharti Airtel at an unfavorable swap ratio:** Given slightly higher growth and better RoCE, Hexacom has been trading at a premium to its parent, Bharti Airtel. While the Bharti Group has not indicated that a merger of Hexacom into a parent entity is in the works, we note a merger at an unfavorable swap ratio, could hurt Hexacom's shareholders.

## ESG initiatives

Specific commitments, goals, and targets set by the company



### Environmental:

- **Climate change, energy efficiency, and emission reduction:** To reduce the carbon emissions (scope 1 and scope 2) by 50.2% by FY31, using FY21 as a baseline as per the science-based targets initiative (SBTI) and GSMA pact.
- To reduce the absolute scope 3 GHG emissions by 42% by FY31, using FY21 as a baseline, according to the science-based targets initiative.
- In line with the target set by GSMA under the Carbon Action Plan for the telecom industry, achieve net zero carbon emissions by 2050.
- **Resource efficiency and waste management:** Ensuring e-waste is sold to authorized recyclers/ refurbishers to ensure environmentally sound waste management
- Implementing ISO 14001 (EMS) Environment Management System by FY24.

### Social:

- **Digital inclusion and enhanced access to ICT:** Hexacom is committed to positively impacting 150m lives by 2025; by promoting digital inclusivity through extending high-speed 4G/5G data connectivity to data-starved regions and accelerating upgradation of feature phone users to smartphones, making device ownership affordable for low-income groups.
- **Diversity and inclusion:** Ensuring at least 20% women employees by FY25.
- **Employee health and well-being:** Implementing ISO 45001 (OHS MS) Occupational Health and Safety Management System by FY24.

### Governance:

- **Corporate Governance and business ethics:** Periodically conduct materiality assessment through formal stakeholder engagement to prioritize ESG focus areas.
- **Enhancing customer experience and satisfaction:** To reduce B2C customer interactions by 20% by FY25, using FY23 as the baseline.
- Maintain compliance with EMF radiation levels set by local regulations in line with ICNIRP (International Commission on Non-Ionizing Radiation Protection) Standards.

## SWOT Analysis



### STRENGTH

- ❖ **Leading player:** Hexacom is among the leading mobile operators with strong RMS in Rajasthan and North East circles.
- ❖ **Premium brand:** The Company offers services under the 'Airtel' brand, which is a well-known brand across its circles.
- ❖ **Convergence play:** The company delivers comprehensive B2C offerings, including mobility and Home broadband services, along with bundled content offerings and Digital TV services, by leveraging its partnership with Bharti Airtel. The company's strategy to attract high-value homes with an array of services presents a significant opportunity for convergence propositions under Airtel Black.
- ❖ **Future-proof network:** Over the years, Hexacom has deployed an extensive network infrastructure and continuously expands it to meet the growing demand for connectivity and high-speed data. By leveraging digital tools and data science for end-to-end management of networks, the company has simplified network complexity.
- ❖ **Synergies with Airtel:** The Company's relationship with Bharti Airtel Limited yields significant synergies, including access to digital infrastructure, an experienced management team, and more.

### WEAKNESSES

- ❖ **Dependence on Bharti Airtel:** As a subsidiary of Bharti Airtel, the company's operations and strategies are often aligned with its parent. This dependence can sometimes limit the brand's ability to innovate independently or respond quickly to market changes.
- ❖ **Competitive Market:** The company faces pressure in terms of price wars, customer retention, and service differentiation led by high competitive intensity from industry peers.

### OPPORTUNITIES

- ❖ **Industry structure:** The Telecom industry has consolidated to 3+1 operators, with the 3<sup>rd</sup> private player consistently losing market share and deprioritizing certain circles. This presents Hexacom with further opportunities to improve its market share.

- ❖ **Lower telecom penetration in Hexacom circles:** The teledensity in Hexacom's circles is relatively lower compared to the national average. Further, the share of data and postpaid subscribers is lower than pan-India levels, which provides an opportunity to grow at a faster pace as compared to pan-India operators.

- ❖ **Tariff Improvement:** Mobile tariff is significantly lower in India as compared to global counterparts, despite having one of the highest data usage. Considering evolving customer needs and the continued need for investments in networks and technological advancements, there is significant room to still raise tariffs, which would improve financial health and create value for stakeholders.

**Home broadband landscape:** Fixed-line penetration remains in the low single digits in the Hexacom circles, significantly below the national average. Further, the growing demand for ultrafast internet and connected devices offers long-term growth opportunities.

### THREATS

- ❖ **Intense competition:** The entry of disruptive players such as Rjio led to significant price erosion in the past, which adversely impacted the company's financials. While the scope of new players entering the telecom space is low, an increase in competitive intensity can lead to significant price erosion and hurt the company's profitability.
- ❖ **Adverse regulatory framework:** Changes in regulations, and policies that are unfavorable for the industry can affect the Company's operations. Political instability, which leads to economic uncertainty, can negatively impact business.
- ❖ **Currency exposures:** Global macroeconomic uncertainties, trade tensions, and commodity headwinds may pose a risk of currency fluctuations.
- ❖ **Pandemic/Disaster/War:** Adverse situations such as war, civil unrest, natural disasters, pandemics, or other unforeseen phenomena can disrupt the company's operations.

## Management team

### Mr. Jagdish Saksena Deepak

#### Chairperson

He completed his PGDM from the Indian Institute of Management, Ahmedabad. Before joining the Company, he was an IAS officer and served as the Ambassador / Permanent Representative of India to the WTO, Geneva. He has served as the Secretary in the DoT and the MEITY, Government of India. He has over 38 years of experience in administration services in various Ministries of Govt.

### Mr. Rakesh Bharti Mittal

#### Non-Executive Director

He is the Vice Chairman of Bharti Enterprises. He is also a Non-Executive Director of Bharti Airtel Limited, Bharti AXA Life Insurance Company Limited and Managing Director of Bharti Land Limited. He has served as the President of CII for the year 2018- 19. He is the Co-Chair of the India-Uzbekistan Business Council. He is also a member of the India-UK CEO Forum, CII Australia-India Business Champions, India-Japan Business Leaders' Forum, and the India-Pakistan Joint Business Forum. He has been awarded the Honorary Doctorate of Civil Law by Newcastle University, UK. He has served as the Honorary Consul for the Republic of Sierra Leone in India from 2014 to 2020.

### Mr. Soumen Ray

#### Non-Executive Director

He holds a bachelor's degree in commerce (honors) from the University of Calcutta, Kolkata. He is an associate member of the Institute of Chartered Accountants of India. In the past, he has been associated with Bajaj Auto Limited, Viacom 18 Media Private Limited, and ITC Limited. He is currently the Chief Financial Officer of Bharti Airtel Limited and has experience in various sectors including FMCG, telecommunication, automotive manufacturing, and media

### Mr. Marut Dilawari

#### CEO

He holds a master's degree in business administration from Maharshi Dayanand University, Rohtak. He holds a postgraduate certificate in business management from XLRI, Jamshedpur. Before joining the Company, he was associated with Escotel Mobile Communications Limited, Bharti Cellular Limited, Aditya Birla Retail Limited, and Tata Teleservices Limited.

### Mr. Akhil Garg

#### CFO

He holds a master's degree in business administration from the University of Melbourne. He is an associate member of the Institute of Chartered Accountants of India. Before joining the Company, he was associated with PepsiCo India Holdings Private Limited and ECS Limited.

### Mr. Rabi Shankar Mishra

#### Chief Executive Officer, North East Circle

He holds a postgraduate degree in Advertisement & Communication Management from Symbiosis Institute of Business Management, Pune. Prior to joining the Company, he was associated with the Hershey Company, Diageo, and Mondelez International.

### Mr. Rajesh Chhatani

#### Commercial Officer

He has passed the examination for bachelor's in commerce and master's in commerce both from the University of Rajasthan and holds a postgraduate diploma in business administration from Symbiosis Centre for Distance Learning, Pune, Maharashtra. He has also passed the intermediate examination held by the Institute of Cost Accountants of India.

### Mr. Deepesh Sirohia

#### Commercial Officer

He has passed the examination for a bachelor's in commerce from Gauhati Commerce College, Gauhati University, Guwahati, Assam. He is an associate member of the Institute of Chartered Accountants of India. He also has passed the professional program examination held by the Institute of Company Secretaries of India. Before joining the Company, he was associated with NMDC Limited.

## Financials and valuations

### Consolidated - Income Statement

	(INR m)						
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>46,023</b>	<b>54,052</b>	<b>65,790</b>	<b>70,888</b>	<b>85,446</b>	<b>98,083</b>	<b>1,12,321</b>
Change (%)		17.4	21.7	7.7	20.5	14.8	14.5
Access Charges	13,454	11,331	9,833	7,461	9,035	9,401	9,714
License Fee	4,379	5,718	6,329	6,520	7,818	8,975	10,221
Network Operating Personnel	14,279	14,862	15,863	16,849	19,021	20,050	21,039
SG&A	763	764	903	1,054	1,220	1,362	1,499
Other Expenses	1,410	1,993	3,067	3,692	4,289	4,551	4,781
<b>Total Expenditure</b>	<b>35,499</b>	<b>35,912</b>	<b>37,933</b>	<b>37,276</b>	<b>43,305</b>	<b>46,420</b>	<b>49,499</b>
% of Sales	77.1	66.4	57.7	52.6	50.7	47.3	44.1
<b>EBITDA</b>	<b>10,524</b>	<b>18,140</b>	<b>27,857</b>	<b>33,612</b>	<b>42,141</b>	<b>51,663</b>	<b>62,823</b>
Margin (%)	22.9	33.6	42.3	47.4	49.3	52.7	55.9
Depreciation	12,852	14,410	15,533	17,392	21,050	21,533	22,146
<b>EBIT</b>	<b>-2,328</b>	<b>3,730</b>	<b>12,324</b>	<b>16,220</b>	<b>21,091</b>	<b>30,130</b>	<b>40,677</b>
Int. and Finance Charges	5,166	5,718	6,388	6,444	6,937	6,534	5,323
Other Income	1,020	888	1,402	2,487	1,800	2,000	2,200
<b>PBT bef. EO Exp.</b>	<b>-6,474</b>	<b>-1,100</b>	<b>7,338</b>	<b>12,263</b>	<b>15,954</b>	<b>25,595</b>	<b>37,554</b>
EO Items	3,417	-19,511	0	3,030	-2,126	0	0
<b>PBT after EO Exp.</b>	<b>-9,891</b>	<b>18,411</b>	<b>7,338</b>	<b>9,233</b>	<b>18,080</b>	<b>25,595</b>	<b>37,554</b>
Total Tax	448	1,665	1,846	4,189	4,249	6,442	9,452
Tax Rate (%)	-4.5	9.0	25.2	45.4	23.5	25.2	25.2
<b>Reported PAT</b>	<b>-10,339</b>	<b>16,746</b>	<b>5,492</b>	<b>5,044</b>	<b>13,831</b>	<b>19,153</b>	<b>28,102</b>
<b>Adjusted PAT</b>	<b>-6,922</b>	<b>-2,765</b>	<b>5,492</b>	<b>8,074</b>	<b>11,705</b>	<b>19,153</b>	<b>28,102</b>
Change (%)	NA	-60.1	-298.6	47.0	45.0	63.6	46.7
Margin (%)	-15.0	-5.1	8.3	11.4	13.7	19.5	25.0

### Consolidated - Balance Sheet

	(INR m)						
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Total Reserves	17,360	34,105	39,595	43,887	55,718	68,871	87,973
<b>Net Worth</b>	<b>19,860</b>	<b>36,605</b>	<b>42,095</b>	<b>46,387</b>	<b>58,218</b>	<b>71,371</b>	<b>90,473</b>
Total Loans	59,752	71,983	62,693	48,346	48,346	38,346	21,846
Lease liabilities	17,983	18,701	29,343	32,700	32,135	31,583	30,863
Deferred Tax Liabilities							
<b>Capital Employed</b>	<b>97,595</b>	<b>1,27,289</b>	<b>1,34,131</b>	<b>1,27,433</b>	<b>1,38,699</b>	<b>1,41,301</b>	<b>1,43,183</b>
<b>Net Fixed Assets</b>	<b>39,054</b>	<b>38,400</b>	<b>40,708</b>	<b>53,444</b>	<b>55,142</b>	<b>56,753</b>	<b>57,416</b>
Intangibles	49,222	47,612	44,643	54,110	59,324	54,491	49,659
Capital WIP	707	641	19,360	4,445	4,445	4,445	4,445
<b>Right of use assets</b>	<b>14,761</b>	<b>16,324</b>	<b>26,390</b>	<b>28,596</b>	<b>26,787</b>	<b>25,115</b>	<b>23,477</b>
<b>Total Investments</b>	<b>0</b>	<b>490</b>	<b>10,460</b>	<b>2,376</b>	<b>475</b>	<b>475</b>	<b>475</b>
Other Non-Current Asset	11,984	11,017	11,574	9,764	8,786	8,004	7,378
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>20,195</b>	<b>39,733</b>	<b>18,516</b>	<b>21,596</b>	<b>29,321</b>	<b>37,599</b>	<b>45,914</b>
Account Receivables	1,429	20,958	1,489	4,446	4,001	4,001	4,001
Cash and Bank Balance	592	1,209	887	743	8,976	17,254	25,569
Other Current Asset	18,174	17,566	16,140	16,407	16,343	16,343	16,343
<b>Curr. Liability &amp; Prov.</b>	<b>43,830</b>	<b>30,542</b>	<b>37,620</b>	<b>45,779</b>	<b>45,143</b>	<b>45,143</b>	<b>45,143</b>
Account Payables	22,240	14,952	14,406	14,848	17,075	17,075	17,075
Provisions	9,793	10,474	11,266	12,196	12,196	12,196	12,196
Other Current Liability	11,797	5,116	11,948	18,735	15,872	15,872	15,872
<b>Net Current Assets</b>	<b>-23,635</b>	<b>9,191</b>	<b>-19,104</b>	<b>-24,183</b>	<b>-15,822</b>	<b>-7,545</b>	<b>770</b>
Deferred Tax assets	14,112	12,526	10,878	10,843	10,843	10,843	10,843
Deferred Revenue	-8,610	-8,912	-10,778	-11,962	-11,280	-11,280	-11,280
<b>Appl. of Funds</b>	<b>97,595</b>	<b>1,27,289</b>	<b>1,34,131</b>	<b>1,27,433</b>	<b>1,38,699</b>	<b>1,41,301</b>	<b>1,43,183</b>



## Financials and valuations

### Ratio Analysis

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>-13.8</b>	<b>-5.5</b>	<b>11.0</b>	<b>16.1</b>	<b>23.4</b>	<b>38.3</b>	<b>56.2</b>
Cash EPS	11.9	23.3	42.1	50.9	65.5	81.4	100.5
BV/Share	39.7	73.2	84.2	92.8	116.4	142.7	180.9
DPS	0.0	0.0	1.5	4.0	12.0	18.0	25.0
Payout (%)	0.0	0.0	13.7	39.7	43.4	47.0	44.5
<b>Valuation (x)</b>							
P/E	-99.0	-247.9	124.8	84.9	56.7	34.7	23.6
Cash P/E	115.6	58.9	32.6	26.9	20.3	16.3	13.2
P/BV	34.5	18.7	16.3	14.8	11.4	9.3	7.3
EV/Sales	16.6	14.3	11.8	10.8	8.6	7.3	6.2
EV/EBITDA	72.5	42.7	27.9	22.8	17.5	13.9	11.0
Dividend Yield (%)	0.0	0.0	0.1	0.3	0.9	1.4	1.9
<b>Return Ratios (%)</b>							
RoE	-34.9	-9.8	14.0	18.3	22.4	29.6	34.7
RoCE	NA	3.0	7.3	7.1	12.6	17.8	25.3
RoIC	NA	2.5	8.1	10.9	12.9	18.5	26.3
<b>Working Capital Ratios</b>							
Asset Turnover (x)	0.5	0.4	0.5	0.6	0.6	0.7	0.8
Debtor (Days)	11	142	8	23	17	15	13
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	3.9	2.4	1.9	1.7	1.2	0.7	0.3

### Consolidated - Cash Flow Statement


Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	-9,891	18,411	7,338	9,233	18,080	25,595	37,554
Depreciation	12,852	14,410	15,533	17,392	21,050	21,533	22,146
Interest & Finance Charges	5,060	5,689	6,289	5,668	5,137	4,534	3,123
Direct Taxes Paid	-335	-148	-197	-174	-4,249	-6,442	-9,452
(Inc)/Dec in WC	3,992	-25,988	21,980	697	169	782	626
<b>CF from Operations</b>	<b>11,678</b>	<b>12,374</b>	<b>50,943</b>	<b>32,816</b>	<b>40,187</b>	<b>46,003</b>	<b>53,996</b>
Others	3,494	206	141	2,645	-9,701	-9,096	-7,783
<b>CF from Operating incl EO</b>	<b>15,172</b>	<b>12,580</b>	<b>51,084</b>	<b>35,461</b>	<b>30,485</b>	<b>36,907</b>	<b>46,214</b>
(Inc)/Dec in FA	-14,532	-13,338	-9,391	-20,477	-23,953	-14,629	-14,598
<b>Free Cash Flow</b>	<b>640</b>	<b>-758</b>	<b>41,693</b>	<b>14,984</b>	<b>6,533</b>	<b>22,278</b>	<b>31,615</b>
(Pur)/Sale of Investments	6,485	-471	-9,680	8,505	1,901	0	0
Others	-778	-16	-1,238	421	1,800	2,000	2,200
<b>CF from Investments</b>	<b>-8,825</b>	<b>-13,825</b>	<b>-20,309</b>	<b>-11,551</b>	<b>-20,252</b>	<b>-12,629</b>	<b>-12,398</b>
Issue of Shares							
Inc/(Dec) in Debt	-163	8,115	-24,428	-15,000	0	-10,000	-16,500
Interest Paid	-3,409	-2,823	-3,855	-5,356	-6,937	-6,534	-5,323
Dividend Paid	0	0	0	-750	-2,000	-6,000	-9,000
Others (Lease)	-2,470	-3,461	-2,831	-2,930	-2,765	-2,562	-2,460
<b>CF from Fin. Activity</b>	<b>-163</b>	<b>8,115</b>	<b>-24,428</b>	<b>-15,750</b>	<b>-2,000</b>	<b>-16,000</b>	<b>-25,500</b>
<b>Inc/Dec of Cash</b>	<b>305</b>	<b>586</b>	<b>-339</b>	<b>-126</b>	<b>8,233</b>	<b>8,278</b>	<b>8,315</b>
Opening Balance	-28	277	863	524	398	8,631	16,909
<b>Closing Balance</b>	<b>277</b>	<b>863</b>	<b>524</b>	<b>398</b>	<b>8,631</b>	<b>16,909</b>	<b>25,224</b>
Less :- Bank overdraft	0	-22	-31	0	0	0	0
<b>Net Closing Balance</b>	<b>277</b>	<b>885</b>	<b>555</b>	<b>398</b>	<b>8,631</b>	<b>16,909</b>	<b>25,224</b>

Source: MOFSL, Company

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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**Strengthening retail presence with trust**

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**Basmati brilliance on a global scale!**

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**In tune with industry trends**

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**On a transformative journey**

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**Growth gem in making!**

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**A niche defense play!**

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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