

Bharti Hexacom

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	BHARTIHE IN
Equity Shares (m)	500
M.Cap.(INRb)/(USDb)	849.3 / 10
52-Week Range (INR)	1794 / 885
1, 6, 12 Rel. Per (%)	5/15/78
12M Avg Val (INR M)	829

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Net Sales	85.5	98.2	111.9
EBITDA	42.0	51.7	62.5
Adj. PAT	12.8	19.2	27.7
Adj. EPS (INR)	25.6	38.3	55.5
EPS Gr. (%)	58.7%	49.6%	44.8%
BV/Sh. (INR)	118.6	147.0	182.4

Ratios

RoE (%)	24.2	28.9	33.7
RoCE (%)	13.5	17.1	23.8

Valuations

P/E (x)	66.3	44.3	30.6
P/BV (x)	14.3	11.6	9.3
EV/EBITDA (x)	22.0	17.5	14.1
Div. Yield (%)	0.6	1.2	1.8

Shareholding pattern (%)

As On	Mar-25	Dec-24
Promoter	70.0	70.0
DII	10.0	9.3
FII	4.3	5.0
Others	15.7	15.7

FII Includes depository receipts

CMP: INR1,699 TP: INR1,900 (+12%) Buy

In-line 4Q; prefer Airtel following BHL's sharp run-up

- Bharti Hexacom (BHL) delivered an in-line 4Q, with ~1-2% QoQ rise in revenue and EBITDA, as the residual benefit of the tariff hike was offset by two fewer days QoQ.
- BHL's capex spiked ~50% QoQ to INR4.3b (-14% YoY), though overall capex (ex-spectrum for FY25) moderated to ~INR15b (vs. INR20b YoY).
- BHL's net debt (ex-leases) declined ~INR6b QoQ to INR37b (from INR49b in Sep'24) as it prepaid ~INR8.6b debt pertaining to the 2024 auction. As a result, BHL's net-debt-to-EBITDAaL moderated to ~0.9x (vs. ~1.5x YoY).
- Adjusted for INR8.6b spectrum prepayments, BHL generated ~INR6.6b FCF in 4QFY25 and ~INR20.4b in FY25. The company announced a dividend of INR10/share (vs. INR4/share YoY).
- BHL provides a pure-play exposure to Bharti Airtel's fast-growing India wireless and home broadband segments. Given the relatively lower penetration of mobile and fixed broadband in BHL's circles, its growth prospects are slightly better than Airtel's.
- Our earnings are broadly unchanged as we model a revenue/EBITDA/PAT CAGR of ~14%/21%/ 42% over FY25-28E.
- **Since our initiation in Mar'25, BHL has delivered ~30% returns** and now trades at **~25% premium** to the implied EV/EBITDA valuation for Bharti's India business (vs. ~13% on average since its listing).
- We believe BHL should command a premium to Airtel, given its slightly higher growth, better RoCE, and lower capital misallocation concerns, and ascribe a DCF-based Jun'27E EV/EBITDA of **14.5x (~10% premium** to our multiple for Airtel's India wireless business) to BHL. **We reiterate our BUY rating on BHL with SoTP-based revised TP of INR1,900.**
- We continue to like BHL's superior execution on the premiumization agenda and continued market share gains. However, we believe a 25% premium is steep, and hence, **we would prefer Airtel to BHL at present.**

Broadly in-line 4Q; capex spikes QoQ, but FCF generation robust

- BHL's overall 4Q revenue at INR22.9b (+23% YoY, in line) was up ~2% QoQ, as the residual flow-through of the wireless tariff hike was offset by two fewer days QoQ.
- Overall, 4Q EBITDA at INR11.7b (+33% YoY, inline) was up 1.4% QoQ as network opex declined 2% QoQ (2% below our est.).
- Reported EBITDA margin dipped ~15bp QoQ to 51% (+400bp YoY, 10bp above our est.) but remained below 57.8% for Bharti India (ex-Indus).
- Reported PAT stood at INR4.7b, up 80% QoQ (2.1x YoY), boosted by tax reversals. Adjusted for exceptional items, PAT at INR3.8b rose 4% QoQ (+71% YoY) and was 8% above our est., mainly due to a lower tax rate.
- Overall capex spiked ~50% QoQ to INR4.25b (-14% YoY).
- BHL's consolidated free cash flow (post-leases, interest payments, but before spectrum prepayments) stood at INR6.6b (vs. INR5.1b QoQ). For FY25, BHL generated FCF of ~INR20b before spectrum prepayments.
- BHL's net debt (ex-leases) declined ~INR6b QoQ to INR36.9b.

Wireless: Incremental EBITDA margin slightly weaker than Airtel's

- BHL's wireless ARPU was broadly stable QoQ at INR242 (+19% YoY, our est. INR243), as residual tariff hike flow-through was offset by two fewer days QoQ.
- BHL reported 515k paying net adds (vs. 491k net adds QoQ and our est. 300k), with contribution to Bharti's 4QFY25 net adds at ~10% (vs. ~7.8% share in Airtel's paying subs base).
- Wireless revenue inched up 1.4% QoQ (vs. 1.9%/2.4% for Bharti/RJio incl. FTTH) to INR22.3b (+22% YoY, in line), while EBITDA at INR12b (+34% YoY, in line) was up ~2% QoQ (vs. 2-2.4% for Airtel/RJio incl. FTTH).
- Wireless EBITDA margin expanded ~25bp QoQ to 53.8% (+480bp YoY), though lower than the 40bp QoQ improvement for Airtel to 59.2%.
- Incremental wireless EBITDA margin was ~72% (vs. ~53% for RJio), but lower than ~85% for Airtel's India wireless business due to QoQ inferior in-roamer vs. out-roamer mix. We note BHL typically benefits from higher in-roamers in 3Q.

Key highlights from the management commentary

- **Captive tower sales to Indus:** BHL had approved the transfer of ~3,400 towers to Indus Towers. However, the proposed tower sale has been put on hold, following a request from TCIL (15% stake). The company believes in the business case for the tower sale to Indus and will undertake a fresh evaluation process to ensure transparency and compliance with governance standards.
- **FWA:** Fixed wireless access (FWA) accounted for the lion's share of home broadband net adds during 4Q and believes that the potential of FWA in BHL's circles is significantly higher, given relatively lower fiber availability. However, the company is not rushing to switch to SA 5G, as the capacity of the 5G network is sufficient to service the FWA base in the medium term.
- **Capex:** Similar to Airtel, management expects BHL's capex to taper down further in FY26 as there is no major rural rollout planned in BHL's circles.
- **Capital allocation:** The capital allocation policy would be similar to the parent, Bharti Airtel. It will be a prudent mix of deleveraging, step-up of dividend payments, and growth capex.
- **Deleveraging:** The company prepaid INR8.6b of spectrum dues pertaining to the 2024 auctions during 4Q. As a result, net-debt-to-EBITDAaL moderated to 0.9x (vs. 1.5x YoY).

Valuation and view

- BHL provides a pure-play exposure to Bharti Airtel's fast-growing India wireless and home broadband segments. Given the relatively lower penetration of mobile and fixed broadband in BHL's circles, its growth prospects are slightly better than Airtel's.
- Our earnings are broadly unchanged as we model a revenue/EBITDA/PAT CAGR of ~14%/21%/ 42% over FY25-28E.
- **Since our initiation in Mar'25, BHL has delivered ~30% returns** and now trades at **~25% premium** to the implied EV/EBITDA valuation for Bharti's India business (vs. ~13% on average since its listing).
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Airtel's India wireless business) to BHL. We **reiterate our BUY rating on BHL with an SoTP-based revised TP of INR1,900.**

- We continue to like BHL's superior execution on the premiumization agenda and continued market share gains. However, we believe a 25% premium is steep, and hence, **we would prefer Airtel to BHL at present.**

Consolidated - Quarterly earnings summary

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Y/E March	FY24				FY25E				FY24	FY25	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue	16,817	17,385	18,006	18,680	19,106	20,976	22,507	22,890	70,888	85,479	23,034	-0.6
YoY Change (%)	7.9	8.0	7.2	7.8	13.6	20.7	25.0	22.5	7.7	20.6		
Total Expenditure	8,517	9,126	9,731	9,902	10,348	10,957	10,990	11,212	37,276	43,507	11,302	-0.8
EBITDA	8,300	8,259	8,275	8,778	8,758	10,019	11,517	11,678	33,612	41,972	11,732	-0.5
YoY Change (%)	29.0	27.2	14.4	14.0	5.5	21.3	39.2	33.0	47.4	49.1		
Depreciation	4,143	4,322	4,329	4,598	4,957	5,361	5,315	5,312	17,392	20,945	5,391	-1.5
Net Finance cost	1,543	1,556	1,688	1,657	1,615	1,754	1,802	1,712	6,444	6,883	1,758	-2.6
Other Income	804	573	623	487	399	491	450	478	2,487	1,818	460	3.9
PBT before EO expense	3,418	2,954	2,881	3,010	2,585	3,395	4,850	5,132	12,263	15,962	5,042	1.8
Extra-Ord expense	0	3,030	0	0	-3,183	0	1,057	0	3,030	-2,126	0	
PBT	3,418	-76	2,881	3,010	5,768	3,395	3,793	5,132	5,436	18,088	5,042	1.8
Tax	886.4	1,764.5	754.4	783.5	656.0	864.0	1,184.0	448.0	4,188.9	3,152.0	1,525.6	-70.6
Rate (%)	25.9	NA	26.2	26.0	11.4	25.4	31.2	8.7	77.1	17.4		
Minority Interest & P/L of Asso. Cos.												
Reported PAT	2,532	-1,841	2,127	2,227	5,112	2,531	2,609	4,684	5,044	14,936	3,517	33.2
Adj PAT	2,532	1,189	2,127	2,227	1,929	2,531	3,666	3,802	8,074	12,810	3,517	8.1
YoY Change (%)	164.0	19.8	39.8	10.3	-23.8	112.8	72.4	70.8	47.0	58.7		

E: MOFSL Estimates

Exhibit 1: We ascribe a TP of INR1,900 to Bharti Hexacom

	Valuation base (INR b)		Multiple (X)		Valuation	
	Mar'27 EBITDA	EBITDA	Other		(INR b)	(INR/sh)
Bharti Hexacom						
Mobility	65	14.5	DCF implied		941	1,881
Homes and offices	3	14.5			42	84
Bharti Hexacom EV	68	14.5			983	1,965
Net debt (including leases)					48	96
Dividends					15	30
Bharti Hexacom equity value					950	1,900

Broadly in-line 4Q; incremental wireless EBITDA margin slightly weaker than Airtel

- BHL's overall 4Q revenue at INR22.9b (+23% YoY, in line) was up ~2% QoQ, as the residual flow-through of the wireless tariff hike was offset by two fewer days QoQ.
- Overall, 4Q EBITDA at INR11.7b (+33% YoY, inline) was up 1.4% QoQ as network opex declined 2% QoQ (2% below our est.).
- Reported EBITDA margin dipped ~15bp QoQ to 51% (+400bp YoY, 10bp above our est.) but remained below 57.8% for Bharti's India operations (ex-Indus).
- Depreciation and amortization rose by a further ~16% YoY (flat QoQ) to INR5.3b, while net finance cost declined ~9% QoQ (+6% YoY) to INR1.2b.
- Reported PAT stood at INR4.7b, up 80% QoQ (2.1x YoY), boosted by tax reversals. Adjusted for exceptional items, PAT at INR3.8b rose 4% QoQ (+71% YoY) and was 8% above our est., mainly due to a lower tax rate.

Capex spikes, while net debt further declines QoQ

- Overall capex spiked ~50% QoQ to INR4.25b (-14% YoY).
- BHL's overall net debt (ex-leases) declined ~INR6b QoQ to INR36.9b (vs. INR42.8b QoQ). Including the impact of leases, BHL's consolidated net debt stood at INR72.6b (vs. INR78.9b QoQ).
- Net debt (ex-leases) to EBITDAaL declined further to 0.87x (from 1.03x QoQ, vs. 1.53x for Bharti's India SA business).
- BHL's consolidated free cash flow (post-leases, interest payments, but before spectrum prepayments) stood at INR6.6b (vs. INR5.1b QoQ). For FY25, BHL generated FCF of ~INR20b, before spectrum prepayments.

Wireless: Residual tariff hike benefit offset by two fewer days QoQ

- BHL's wireless ARPU was broadly stable QoQ (similar to Airtel) at INR242 (19% YoY, vs. our est. of INR243), as residual tariff hike flow-through was offset by two fewer days QoQ
- BHL reported 515k paying net adds (vs. 491k net adds QoQ and our est. 300k net adds) and contributed ~10% of Bharti's 4QFY25 subscriber net adds (vs. ~7.8% share in Airtel's paying subs base).
- The subscriber mix continues to improve as BHL added 710k smartphone net adds QoQ, as BHL's share of Bharti's 4G net adds increased to ~10% (vs. 7% QoQ and 7.8% share of Airtel's 4G subscriber base). The share of data subs in BHL's mix improved further by ~50bp QoQ to 76.7%, but remained below Airtel's at 77.8% (flat QoQ).
- BHL's wireless revenue rose 1.4% QoQ (vs. 2.4%/1.9% QoQ for RJio, including FTTH, and Airtel's India wireless) to INR22.3b (+22% YoY, in line).
- Wireless EBITDA at INR12b (+34% YoY, inline) was up ~2% QoQ (vs. 2.4% QoQ for RJio, including FTTH, and ~2% QoQ for Airtel).
- Wireless EBITDA margin improved ~25bp QoQ to 53.8% (+480bp YoY, vs. stable QoQ at 52.8% for R-Jio), though lower than 40bp QoQ improvement at 59.2% for Airtel.
- Incremental EBITDA margin stood at ~72% (vs. ~53% for RJio), but lower than ~85% for Airtel's India wireless business. The weaker flow-through versus Airtel is likely driven by QoQ inferior in-roamer vs. out-roamer mix.
- Similar to the sharp ~39% QoQ increase in India wireless capex for Bharti, BHL's wireless capex also jumped ~64% QoQ to INR3.7b (-21% YoY).

Homes and Offices: FWA ramp-up drives acceleration in net-adds

- BHL's Homes BB subscriber base reached ~0.45m (47% YoY) on acceleration in net adds to ~53k (versus 44k QoQ). BHL accounted for ~6.5% of Airtel's Homes BB net adds (vs. ~4.5% share in Airtel's Homes BB subscriber base).
- However, similar to Airtel, reported Homes ARPU decline continued with a further 2% QoQ dip to INR490/month (-8% YoY, vs. ~2% QoQ dip for Airtel to INR543/month).
- Homes and Offices revenue was up ~10% QoQ to INR0.7b (+30% YoY, inline) and was better than ~6% QoQ growth for Airtel.
- Homes and Offices EBITDA at INR0.23b was up ~18% QoQ (+16% YoY, vs. 7% QoQ growth for Airtel), as margins improved ~230bp QoQ to 32.9% (-380bp YoY). Comparatively, Airtel's Home BB margins expanded ~50bp QoQ to 49.9%.
- Capex in the Homes Business dipped ~1% QoQ to INR0.6b (up 2.25x YoY).

Data engagement remains ahead of Airtel's India wireless business

- Data volume for BHL inched up 6% QoQ (vs. +2% QoQ in 3QFY25, slightly better than +5% QoQ for R-Jio, including FTTH and Airtel India).
- Data usage per sub improved to 27.7GB/month (vs. 26.2GB QoQ, 33.6GB reported by R-Jio, including FTTH, and higher than 25.1 GB for Airtel on a pan-India basis).
- Voice usage on the network was up ~1% QoQ (+5% QoQ in 3QFY25, +2% QoQ for R-Jio and Airtel), with minutes of usage (MoU) per subscriber moderating slightly to 1,139mins/month (vs. 1,150 mins QoQ, ~1,024 mins for R-Jio, and slightly lower vs. 1,163 mins for Airtel on a pan-India basis).
- BHL added 162 towers QoQ (vs. 163 in 3QFY25) to take the total towers to ~26.5k. Revenue per site was up ~1% QoQ to INR280k/month (+17% YoY, vs. a flat QoQ uptick to INR262k for Airtel).

Exhibit 2: Consolidated results summary

	4QFY24	3QFY25	4QFY25	YoY	QoQ	4QFY25E	vs est.
Bharti Hexacom							
Revenues	18,680	22,507	22,890	22.5	1.7	23,034	(0.6)
Access charges	2,067	2,304	2,468	19.4	7.1	2,434	1.4
License and spectrum fee	1,728	2,074	2,093	21.1	0.9	2,103	(0.5)
Network operating costs	4,564	4,853	4,756	4.2	(2.0)	4,867	(2.3)
Employee costs	260	292	431	65.8	47.6	309	39.3
SG&A expenses	1,283	1,467	1,464	14.1	(0.2)	1,588	(7.8)
Total costs	9,902	10,990	11,212	13.2	2.0	11,302	(0.8)
EBITDA	8,778	11,517	11,678	33.0	1.4	11,732	(0.5)
EBITDA margin (%)	47.0	51.2	51.0	403 bp	(15)bp	50.9	9 bp
Depreciation and amortization	4,598	5,315	5,312	15.5	(0.1)	5,391	(1.5)
EBIT	4,180	6,202	6,366	52.3	2.6	6,340	0.4
EBIT margin (%)	22.4	27.6	27.8	543 bp	26 bp	27.5	29 bp
Net finance cost	1,170	1,352	1,234	5.5	(8.7)	1,298	(4.9)
PBT	3,010	4,850	5,132	70.5	5.8	5,042	1.8
Tax provision	783	1,184	448	(42.8)	(62.2)	1,526	(70.6)
Extraordinary items	-	1,057	-			-	
Reported net income	2,227	2,609	4,684	110.4	79.5	3,517	33.2
Adjusted net income	2,227	3,666	3,802	70.8	3.7	3,517	8.1
Reported EPS (INR)	4.5	5.2	9.4	110.5	79.5	7.0	33.2
Adjusted EPS (INR)	4.5	7.3	7.6	70.9	3.7	7.0	8.1
Costs as % of revenue							
Access charges	(11.1)	(10.2)	(10.8)	28 bp	(55)bp	(10.6)	(21)bp
License and spectrum fee	(9.3)	(9.2)	(9.1)	11 bp	7 bp	(9.1)	(1)bp
Network operating costs	(24.4)	(21.6)	(20.8)	365 bp	78 bp	(21.1)	35 bp
Employee costs	(1.4)	(1.3)	(1.9)	(49)bp	(59)bp	(1.3)	(54)bp
SG&A expenses	(6.9)	(6.5)	(6.4)	47 bp	12 bp	(6.9)	50 bp
Total costs	(53.0)	(48.8)	(49.0)	403 bp	(15)bp	(49.1)	9 bp

Exhibit 3: Segmental performance summary

	4QFY24	3QFY25	4QFY25	YoY	QoQ	4QFY25E	vs est
Segmental revenue (INR m)							
Wireless	18,232	21,931	22,249	22.0	1.4	22,397	(0.7)
Homes	547	645	709	29.6	10.0	707	0.2
Overall	18,680	22,507	22,890	22.5	1.7	23,034	(0.6)
Eliminations	(99)	(69)	(68)			(71)	
Segmental EBITDA (INR m)							
Wireless	8,939	11,741	11,969	33.9	1.9	11,956	0.1
Homes	201	197	233	15.9	18.3	236	(1.1)
Overall	8,778	11,517	11,678	33.0	1.4	11,732	(0.5)
Eliminations	(362)	(421)	(524)			(460)	
Segmental EBITDA margin (%)							
Wireless	49.0	53.5	53.8	477 bp	26 bp	53.4	(41)bp
Homes	36.7	30.6	32.9	(387)bp	231 bp	33.3	45 bp
Overall	47.0	51.2	51.0	403 bp	(15)bp	50.9	(9)bp
Segmental Capex (INR m)							
Wireless	4,662	2,235	3,664	(21)	64	2,499	47
Homes	263	598	590	124	(1)	698	(15)
Overall	4,925	2833	4254	(13.6)	50.2	3197	33.1

Source: Company, MOFSL

Exhibit 4: Key operational metrics

Operating metrics	4QFY24	3QFY25	4QFY25	YoY	QoQ	4QFY25E	vs. est
Wireless							
Wireless ARPU	204	241	242	18.4	0.1	243	(0.5)
EoP reported subs (m)	27.3	27.6	28.1	2.9	1.9	27.9	0.8
Net adds ('000)	558	491	515			300	71.6
EoP data subs (m)	19.8	21.0	21.6	9.1	2.5	21.6	(0.1)
Data net adds ('000)	630	447	530			547	(3)
Data subs proportion (%)	72.3	76.2	76.7	434 bp	49 bp	77.3	(65)bp
EoP 4G subs (m)	19.5	20.8	21.5	10.3	3.4	21.4	0.7
4G net adds (m)	641	455	710			570	25
Data volume (m GBs)	1,464	1,673	1,808	23.5	8.1	1,762	2.6
Data usage per data sub (GB/month)	24.5	26.2	27.7	13.0	5.8	26.9	3.1
Average data realization (INR/GB)	12.7	13.4	12.6	(0.8)	(6.0)	13.0	(3.1)
Voice usage on network (b mins)	90.9	94.4	95.3	4.9	1.0	97.1	(1.8)
Minute of usage per sub (min/month)	1,120	1,150	1,139	1.7	(1.0)	1,165	(2.3)
Network towers ('000)	25,704	26,335	26,497	3.1	0.6	26,509	(0.0)
MBB sites ('000)	79,835	81,340	81,840	2.5	0.6	81,640	0.2
Revenue per tower (INR/month)	2,39,261	2,77,848	2,80,408	17.2	0.9	-	
Homes and offices							
Cities covered (#)	93	110	114	22.6	3.6	-	
Reported ARPU (INR/month)	522	499	490	(6.0)	(1.8)	494	(0.8)
Calculated ARPU (INR/month)	614	575	560	(8.8)	(2.7)	563	(0.5)
EoP reported subs (k)	305	395	448	46.9	13.3	442	1.4
Net adds ('000)	16	44	53			47	
Implied other revenue (INR m)	82	85	89	7.5	3.8	86	2.4

Source: Company, MOFSL

Exhibit 5: BHL generated ~INR20b FCF (post-interest and leases) in FY25

FCF, post lease and interest payment	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2024	FY2025
CF before WC changes	8,676	8,369	8,770	8,949	8,610	8,569	10,207	9,577	34,764	36,963
WC changes	305	2,537	646	(2,791)	4,475	1,826	631	1,932	697	8,864
Cashflow from operations	8,981	10,906	9,416	6,158	13,085	10,395	10,838	11,509	35,461	45,827
Lease payments	(666)	(826)	(736)	(702)	(755)	(750)	(1,004)	(953)	(2,930)	(3,462)
Capex in tangible assets	(4,999)	(5,241)	(5,335)	(4,902)	(4,728)	(3,787)	(3,969)	(2,073)	(20,477)	(14,557)
Capex in intangible assets	-	(352)	1	(0)	(0)	(1,465)	(56)	(9,094)	(352)	(10,615)
Paid finance cost	(1,771)	(1,531)	(739)	(1,315)	(1,728)	(1,661)	(671)	(1,335)	(5,356)	(5,395)
FCF, post lease and interest payment	1,545	2,956	2,607	(761)	5,874	2,732	5,138	(1,946)	6,346	11,798
Spectrum prepayments			-	-				8,576	-	8,576
Adjusted FCF post leases and interest	1,545	2,956	2,607	(761)	5,874	2,732	5,138	6,630	6,346	20,374

Exhibit 6: BHL's net debt (excl. leases to EBITDAaL) moderated sharply to ~0.9x (vs. 1.5x YoY)

Debt and cash trends (INR m)	Mar-23	Sep-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Reported gross debt	62,693	62,353	48,347	40,032	48,901	43,033	37,800
LT debt	19,999	-	-	-	-	-	-
ST debt (inc. current maturities)	15,001	35,013	20,001	11,686	11,907	6,040	8,746
Deferred payment liabilities	27,693	27,340	28,346	28,346	36,994	36,993	29,054
Cash and Cash Equivalents	11,015	15,775	2,774	211	340	187	910
Cash and Cash Equivalents	555	463	398	153	334	169	171
Investments & Receivables	10,460	15,312	2,376	58	6	18	739
Net Debt excluding Lease Obligations	51,678	46,578	45,573	39,820	48,561	42,846	36,890
Lease Obligation	29,343	30,968	32,700	35,600	36,229	36,054	35,729
Net Debt including Lease Obligations	81,021	77,546	78,273	75,420	84,790	78,900	72,619
Net debt (including leases) to EBITDA	2.63	2.35	2.23	2.15	2.12	1.71	1.55
Net debt (excluding leases) to EBITDAaL			1.46	1.29	1.35	1.03	0.87

Source: Company, MOFSL

Exhibit 7: BHL's incremental margin was hurt by inferior in-roamer vs. out-roamer mix

Bharti Hexacom (INR m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25E
Reported wireless revenue	16,473	17,029	17,477	18,232	18,604	20,433	21,931	22,249
Revenue based on reported ARPU	15,155	15,506	16,025	16,562	16,881	18,707	19,820	20,194
Revenue from in-roamers	1,318	1,523	1,453	1,671	1,723	1,726	2,112	2,055
Implied ARPU (INR/month)	211.0	215.2	218.5	224.6	225.8	248.9	267.1	266.1
Reported ARPU (INR/month)	194.1	195.9	200.4	204.0	204.9	227.9	241.4	241.5
ARPU from in-roamers (INR/month)	17	19	18	21	21	21	26	25
Access charges	1,641	1,856	1,897	2,067	2,209	2,238	2,304	2,468
Access charges per wireless sub (INR/month)	21	23	24	25	27	27	28	30
Net impact from ICR/IUC (INR/month)	-4	-4	-6	-5	-6	-6	-2	-5

Source: Company, MOFSL

Exhibit 8: Changes to our estimates

	FY26E	FY27E	FY28E
Revenue consolidated (INRb)			
Old	98.3	112.5	-
New	98.2	111.9	126.8
Change (%)	-0.1	-0.5	-
EBITDA consolidated (INRb)			
Old	51.7	62.8	-
New	51.7	62.5	73.6
Change (%)	0.1	-0.5	-
EBITDA margin consolidated (%)			
Old	52.5	55.8	-
New	52.7	55.8	58.0
Change (bp)	11	-3	-
Net Income consolidated (INRb)			
Old	19.2	28.1	-
New	19.2	27.7	36.5
Change (%)	-0.2	-1.4	-
Mobility			
EoP subs (m)			
Old	28.6	29.3	-
New	28.7	29.4	30.0
Change (%)	0.4	0.3	-
ARPU (INR/month)			
Old	256.9	288.3	-
New	254.5	284.2	312.0
Change (%)	-0.9	-1.4	-
Mobility Revenue (INRb)			
Old	95.1	108.3	0.0
New	94.9	107.3	120.4
Change (%)	-0.3	-0.9	-
Mobility EBITDA (INRb)			
Old	52.2	62.9	0.0
New	52.2	62.1	71.8
Change (%)	-0.1	-1.2	-

Exhibit 9: For every INR10 change in ARPU, BHL's FY27E EBITDA changes by ~INR2.25b (or ~3.6%)

TP (INR/share)		FY27E wireless ARPU (INR)				
		264	274	284	294	304
FY27E Paying wireless subs (m)	28.4	56.9	59.1	61.3	63.6	65.8
	28.9	57.4	59.7	61.9	64.1	66.4
	29.4	57.9	60.2	62.5	64.7	67.0
	29.9	58.4	60.7	63.0	65.3	67.6
	30.4	59.0	61.3	63.6	65.9	68.2

Source: Company, MOFSL

Exhibit 10: Key assumptions for BHL

	2022	2023	2024	2025E	2026E	2027E	2028E
Mobility business							
Paying subscriber base ('000s)	24,767	25,827	27,341	28,129	28,669	29,368	29,996
Net monthly additions ('000s)	(18)	88	126	66	45	58	52
Data subscribers ('000s)	15,382	17,333	19,773	21,565	23,277	24,657	26,008
Net monthly additions ('000s)	125	163	203	149	143	115	113
Wireless ARPU (INR/sub/month)	155	186	198	227	255	284	312
Change (%)	14.7	20.0	6.7	14.6	12.0	11.7	9.8
Data volumes (b MB)	3,582	4,354	5,272	6,698	8,006	9,566	11,288
Change (%)	42.5	21.6	21.1	27.0	19.5	19.5	18.0
Data consumption (MB/sub/month)	20,396	22,182	23,681	27,006	29,756	33,260	37,132
Change (%)	18.6	8.8	6.8	14.0	10.2	11.8	11.6
Voice traffic (b mins)	297	322	352	369	390	403	415
Change (%)	14.5	8.3	9.3	5.0	5.6	3.5	3.0
MOU (min/sub/month)	995	1,060	1,102	1,109	1,143	1,157	1,165
Change (%)	15.0	6.5	4.0	0.6	3.1	1.2	0.7
Homes and offices							
EoP subscriber base ('000s)	131	219	305	448	688	928	1,108
Net monthly additions ('000s)	5.1	7.3	7.2	11.9	20.0	20.0	15.0
Implied ARPU (INR/month)	683	599	542	482	482	471	521
Change (%)	(11.8)	(12.4)	(9.5)	(11.1)	0.2	(2.3)	10.6
Capex (INR m)							
Mobility (ex-spectrum)	8,320	14,563	18,970	12,587	12,805	12,877	13,245
as % of revenues	15.7	22.7	27.4	15.1	13.5	12.0	11.0
Overall (ex-spectrum)	8,745	15,162	20,235	14,730	16,405	16,477	15,945
as % of revenues	16.2	23.0	28.5	17.2	16.7	14.7	12.6
Overall (with spectrum)	8,745	29,939	20,235	27,809	16,405	16,477	15,945
as % of revenues	16.2	45.5	28.5	32.5	16.7	14.7	12.6

Source: Company, MOFSL

Exhibit 11: Segment-wise revenue, EBITDA, margin, and capex trends and forecasts

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Segmental revenue (INR b)							
Mobility	53	65	69	83	95	107	120
Homes and offices	1	2	2	3	4	5	7
Bharti Hexacom	54	66	71	85	98	112	127
Eliminations	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Segmental EBITDA (INR b)							
Mobility	19	28	34	43	52	62	72
Homes and offices	0	0	1	1	2	3	4
Bharti Hexacom	18	28	34	42	52	62	74
Eliminations	(1)	(1)	(1)	(2)	(2)	(2)	(2)
Segmental EBITDA margin (%)							
Mobility	35.0	44.0	49.4	51.6	55.0	57.9	59.6
Homes and offices	32.4	28.7	34.0	32.0	42.7	51.3	58.5
Bharti Hexacom	33.6	42.3	47.4	49.1	52.7	55.8	58.0
Segmental Capex (INR b)							
Mobility	8	15	19	13	13	13	13
Homes and offices	0	1	1	2	4	4	3
Bharti Hexacom	9	15	20	15	16	16	16
Capex to sales (%)							
Mobility	15.6	22.5	27.4	15.1	13.5	12.0	11.0
Homes and offices	39.5	38.8	61.4	85.0	98.6	72.7	39.9
Bharti Hexacom	16.2	23.0	28.5	17.2	16.7	14.7	12.6

Source: Company, MOFSL

Exhibit 12: BHL's risk-reward analysis

	Base	Bear	Bull
Bharti Hexacom (INR/sh)			
Mobility	1,881	1,411	2,048
Homes and offices	84	63	91
Bharti Hexacom EV	1,965	1,474	2,140
Net debt (including leases)	96	99	99
Dividends	30	25	40
Bharti Hexacom equity value	1,900	1,400	2,080
Upside/downside to CMP (%)	12	(18)	22

Exhibit 13: Near-term growth likely to remain robust, driven by ~15% tariff hikes in Dec'25

FY25-28E	Bear	Base	Bull
Paying subs	1.8%	2.2%	1.5%
Wireless ARPU	8.3%	11.2%	13.9%
Wireless revenue	9.5%	13.1%	15.3%
Wireless EBITDA	11.8%	18.9%	18.4%

Exhibit 14: We model ~7% LT EBITDA growth driven largely by ~6% ARPU CAGR

FY28-35E	Bear	Base	Bull
Paying subs	0.8%	1.1%	0.8%
Wireless ARPU	4.7%	5.6%	6.6%
Wireless revenue	5.1%	6.7%	7.1%
Wireless EBITDA	6.1%	6.9%	8.3%

Exhibit 15: Summary of BHL's wireless business valuations and upside/downside skew, FY25-35E

	Base	Bear	Bull
Bharti Hexacom- wireless			
10-year subscriber CAGR	1.4%	1.1%	1.0%
10-year ARPU CAGR	7.3%	5.7%	8.7%
INR 300 ARPU achieved by	FY2028	FY2029	FY2027
10-yr revenue CAGR	8.6%	6.4%	9.5%
10-yr EBITDA CAGR	10.4%	7.8%	11.2%
Enterprise value (INR b)	941	705	1,024
Implied FY2027E EBITDA	14.5	12.6	15.9
BHL wireless Enterprise value (INR/share)	1,881	1,411	2,048
BHL's SoTP-based Fair value (INR/share)	1,900	1,400	2,080
Upside / downside to CMP	12%	-18%	22%

Exhibit 16: We ascribe INR941b (or INR1,881/share) valuation to BHL's mobility business (14.5x Jun'27E EBITDA)

	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY36E	FY37E
Assumptions													
Paying subscriber base (m)	28.1	28.7	29.4	30.0	30.5	30.9	31.3	31.7	32.0	32.2	32.4		
Net adds	0.8	0.5	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2		
ARPU (INR/month)	227	255	284	312	340	366	388	407	425	442	458		
YoY	14.6	12.0	11.7	9.8	9.0	7.5	6.0	5.0	4.5	4.0	3.5		
DCF model													
EBITDA	43	52	62	72	80	88	94	100	106	111	115		
Adjusted tax expense	-3	-6	-9	-12	-14	-16	-18	-19	-21	-22	-23		
Change in working capital	1	1	1	1	1	1	1	1	1	1	1		
Operating cash flow	41	47	54	61	67	72	77	81	86	89	93		
Capital expenditure	-13	-13	-13	-13	-19	-20	-20	-20	-20	-21	-21		
Free cash flow	28	34	41	48	48	53	57	62	66	68	72	76	79
Discounted cash flow-now		32	35	36	33	33	32	31	30	29	27		
Discounted cash flow-1 year forward			38	40	37	36	35	35	33	32	30	29	
Discounted cash flow-2 year forward				44	41	40	39	38	37	35	33	32	30
		Now	Y+1	Y+2									
WACC (%)		10.5%	10.5%	10.5%									
Total PV of free cash flow		318	345	369									
Terminal value assumption													
Terminal growth rate (%)		5.0%	5.0%	5.0%									
FCF in terminal year		72	76	79									
Exit FCF multiple (X)		19.1	19.1	19.1									
Exit EV/EBITDA multiple (X)		11.9	12.5	13.1									
Terminal value		1,374	1,442	1,514									
PV of terminal value		519	544	572									
EV of mobility business (INR b)		837	890	941									
Implied EV/EBITDA		18.5	16.2	14.5									
Shares outstanding (m)		500	500	500									
EV/share for BHL's mobility (INR/share)		1,673	1,779	1,881									

Exhibit 17: For every INR10 change in ARPU, BHL's TP changes by ~INR59/share (~3.1%)

		FY27E wireless ARPU (INR)				
		264	274	284	294	304
FY27E Paying wireless subs (m)	28.4	1,754	1,812	1,871	1,929	1,987
	28.9	1,768	1,826	1,885	1,944	2,003
	29.4	1,781	1,840	1,900	1,959	2,018
	29.9	1,795	1,854	1,914	1,974	2,034
	30.4	1,808	1,868	1,929	1,989	2,049

Exhibit 18: BHL currently trades at ~17.4x rolling one-year forward EV/EBITDA

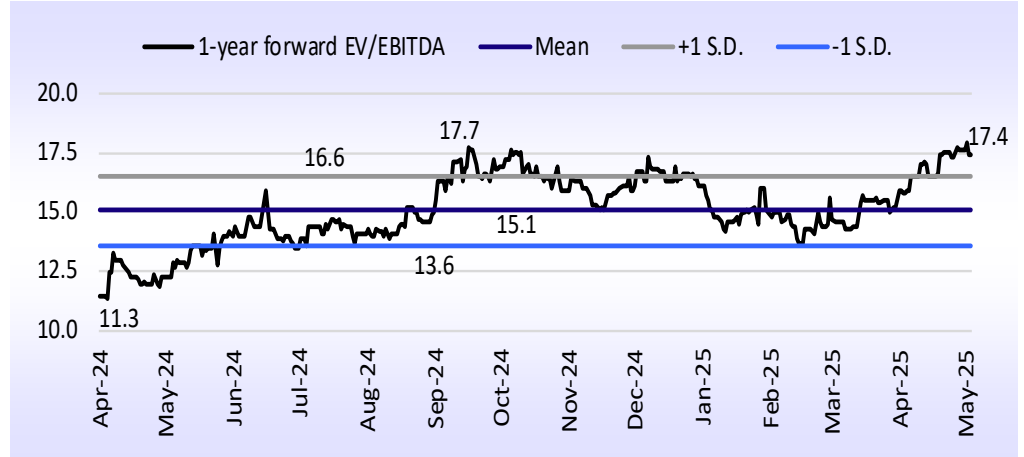
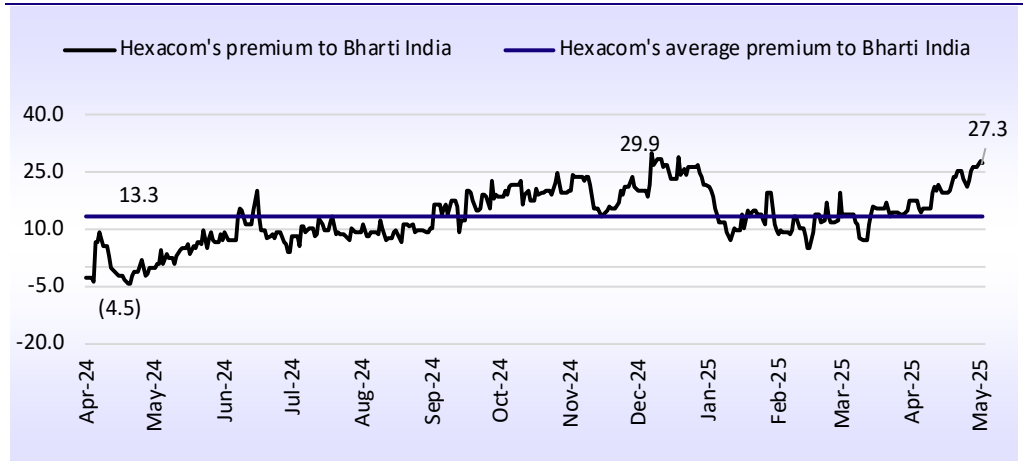


Exhibit 19: BHL currently trades at ~27% premium to Bharti's India business



Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	46,023	54,052	65,790	70,888	85,479	98,212	1,11,932	1,26,814
Change (%)		17.4	21.7	7.7	20.6	14.9	14.0	13.3
Access Charges	13,454	11,331	9,833	7,461	9,219	9,622	9,881	10,864
License Fee	4,379	5,718	6,329	6,520	7,824	8,986	10,186	11,477
Network Operating	14,279	14,862	15,863	16,849	19,047	19,923	20,868	21,797
Personnel	763	764	903	1,054	1,342	1,497	1,648	1,792
SG&A	1,410	1,993	3,067	3,692	4,073	4,261	4,489	4,698
Other Expenses	1,214	1,244	1,938	1,700	2,002	2,210	2,407	2,631
Total Expenditure	35,499	35,912	37,933	37,276	43,507	46,500	49,478	53,259
% of Sales	77.1	66.4	57.7	52.6	50.9	47.3	44.2	42.0
EBITDA	10,524	18,140	27,857	33,612	41,972	51,712	62,454	73,555
Margin (%)	22.9	33.6	42.3	47.4	49.1	52.7	55.8	58.0
Depreciation	12,852	14,410	15,533	17,392	20,945	22,167	22,858	23,793
EBIT	-2,328	3,730	12,324	16,220	21,027	29,545	39,596	49,761
Int. and Finance Charges	5,166	5,718	6,388	6,444	6,883	5,942	4,732	3,543
Other Income	1,020	888	1,402	2,487	1,818	2,000	2,200	2,500
PBT bef. EO Exp.	-6,474	-1,100	7,338	12,263	15,962	25,603	37,064	48,718
EO Items	3,417	-19,511	0	3,030	-2,126	0	0	0
PBT after EO Exp.	-9,891	18,411	7,338	9,233	18,088	25,603	37,064	48,718
Total Tax	448	1,665	1,846	4,189	3,152	6,444	9,329	12,262
Tax Rate (%)	-4.5	9.0	25.2	45.4	17.4	25.2	25.2	25.2
Reported PAT	-10,339	16,746	5,492	5,044	14,936	19,159	27,735	36,456
Adjusted PAT	-6,922	-2,765	5,492	8,074	12,810	19,159	27,735	36,456
Change (%)	NA	-60.1	-298.6	47.0	58.7	49.6	44.8	31.4
Margin (%)	-15.0	-5.1	8.3	11.4	15.0	19.5	24.8	28.7

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Total Reserves	17,360	34,105	39,595	43,887	56,821	70,982	88,717	1,10,173
Net Worth	19,860	36,605	42,095	46,387	59,321	73,482	91,217	1,12,673
Total Loans	59,752	71,983	62,693	48,346	37,299	27,299	10,799	799
Lease liabilities	17,983	18,701	29,343	32,700	36,229	35,245	34,248	33,155
Capital Employed	97,595	1,27,289	1,34,131	1,27,433	1,32,849	1,36,026	1,36,264	1,46,627
Net Fixed Assets	39,054	38,400	40,708	53,444	54,165	57,583	59,994	60,544
Intangibles	49,222	47,612	44,643	54,110	62,521	57,527	52,533	47,587
Capital WIP	707	641	19,360	4,445	2,973	2,973	2,973	2,973
Right of use assets	14,761	16,324	26,390	28,596	30,643	28,348	26,289	24,400
Total Investments	0	490	10,460	2,376	739	739	739	739
Other Non-Current Asset	11,984	11,017	11,574	9,764	8,563	7,766	7,128	6,617
Curr. Assets, Loans & Adv.	20,195	39,733	18,516	21,596	18,444	26,289	31,805	48,964
Account Receivables	1,429	20,958	1,489	4,446	1,083	1,083	1,083	1,083
Cash and Bank Balance	592	1,209	887	743	370	8,215	13,731	30,890
Other Current Asset	18,174	17,566	16,140	16,407	16,991	16,991	16,991	16,991
Curr. Liability & Prov.	43,830	30,542	37,620	45,779	46,565	46,565	46,565	46,565
Account Payables	22,240	14,952	14,406	14,848	15,860	15,860	15,860	15,860
Provisions	9,793	10,474	11,266	12,196	16,745	16,745	16,745	16,745
Other Current Liability	11,797	5,116	11,948	18,735	13,960	13,960	13,960	13,960
Net Current Assets	-23,635	9,191	-19,104	-24,183	-28,121	-20,276	-14,759	2,399
Deferred Tax assets	14,112	12,526	10,878	10,843	14,462	14,462	14,464	14,464
Deferred Revenue	-8,610	-8,912	-10,778	-11,962	-13,096	-13,096	-13,096	-13,096
Appl. of Funds	97,595	1,27,289	1,34,131	1,27,433	1,32,849	1,36,026	1,36,264	1,46,627

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	-13.8	-5.5	11.0	16.1	25.6	38.3	55.5	72.9
Cash EPS	11.9	23.3	42.1	50.9	67.5	82.7	101.2	120.5
BV/Share	39.7	73.2	84.2	92.8	118.6	147.0	182.4	225.3
DPS	0.0	0.0	1.5	4.0	10.0	20.0	30.0	40.0
Payout (%)	0.0	0.0	13.7	39.7	33.5	52.2	54.1	54.9
Valuation (x)								
P/E	-122.7	-307.2	154.7	105.2	66.3	44.3	30.6	23.3
Cash P/E	143.3	72.9	40.4	33.4	25.2	20.6	16.8	14.1
P/BV	42.8	23.2	20.2	18.3	14.3	11.6	9.3	7.5
EV/Sales	20.1	17.4	14.3	13.1	10.8	9.2	7.9	6.7
EV/EBITDA	88.1	51.8	33.8	27.7	22.0	17.5	14.1	11.6
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.6	1.2	1.8	2.4
Return Ratios (%)								
RoE	-34.9	-9.8	14.0	18.3	24.2	28.9	33.7	35.8
RoCE	NA	3.0	7.3	7.1	13.5	17.1	23.8	31.5
RoIC	NA	2.5	8.1	10.9	12.7	17.5	24.4	32.3
Working Capital Ratios								
Asset Turnover (x)	0.5	0.4	0.5	0.6	0.6	0.7	0.8	0.9
Debtor (Days)	11	142	8	23	5	4	4	3
Leverage Ratio (x)								
Net Debt/Equity	3.9	2.4	1.9	1.7	1.2	0.7	0.3	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	-9,891	18,411	7,338	9,233	18,088	25,603	37,064	48,718
Depreciation	12,852	14,410	15,533	17,392	20,945	22,167	22,858	23,793
Interest & Finance Charges	5,060	5,689	6,289	5,668	6,828	3,942	2,532	1,043
Direct Taxes Paid	-335	-148	-197	-174	-6,747	-6,444	-9,329	-12,262
(Inc)/Dec in WC	3,992	-25,988	21,980	697	8,863	797	638	510
CF from Operations	11,678	12,374	50,943	32,816	47,977	46,065	53,763	61,803
Others	-2,385	-6,078	-6,545	-5,641	-11,008	-8,816	-7,469	-6,199
CF from Operating incl EO	9,293	6,296	44,398	27,175	36,969	37,249	46,293	55,604
(Inc)/Dec in FA	-14,532	-13,338	-9,391	-20,477	-14,783	-16,405	-16,477	-15,945
Free Cash Flow	-5,239	-7,042	35,007	6,698	22,186	20,845	29,817	39,659
(Pur)/Sale of Investments	6,485	-471	-9,680	8,505	1,736	0	0	0
Others	-778	-16	-1,238	421	-10,359	2,000	2,200	2,500
CF from Investments	-8,825	-13,825	-20,309	-11,551	-23,406	-14,405	-14,277	-13,445
Issue of Shares								
Inc/(Dec) in Debt	-163	8,115	-24,428	-15,000	-11,790	-10,000	-16,500	-10,000
Interest Paid	-3,409	-2,823	-3,855	-5,356	-5,395	-5,942	-4,732	-3,543
Dividend Paid	0	0	0	-750	-2,000	-5,000	-10,000	-15,000
Others (Lease)	-2,470	-3,461	-2,831	-2,930	-3,462	-2,874	-2,738	-2,655
CF from Fin. Activity	-163	8,115	-24,428	-15,750	-13,790	-15,000	-26,500	-25,000
Inc/Dec of Cash	305	586	-339	-126	-227	7,845	5,517	17,159
Opening Balance	-28	277	863	524	398	171	8,016	13,532
Closing Balance	277	863	524	398	171	8,016	13,532	30,691
Less :- Bank overdraft	0	-22	-31	0	0	0	0	0
Net Closing Balance	277	885	555	398	171	8,016	13,532	30,691

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