

Bharti Hexacom

Estimate change	
TP change	
Rating change	

CMP: INR1,700 TP: INR2,000 (+18%) Upgrade to Buy

Risk-reward turns favorable

- Bharti Hexacom (BHL) reported a steady 3Q, with ~1.5-2% YoY growth in wireless revenue and EBITDA, which remained slightly weaker vs. BHARTI, despite seasonality benefits.
- Acceleration in Home Broadband (HBB) with 13%/10%/17.5% QoQ growth in subscriber base/revenue/EBITDA drove 4% QoQ growth in overall EBITDA vs. ~2% QoQ EBITDA growth for BHARTI India (excluding Indus).
- With moderation in capex (-7% QoQ), BHL's FCF generation improved to INR6.6b QoQ (from INR4.4b in 2Q). Net debt (excl. leases) declined by a similar quantum QoQ to INR21.6b (with leverage at modest 0.48x).
- BHL provides a pure-play exposure to BHARTI's fast-growing wireless and HBB segments in circles with lower data and HBB penetration.
- Further, there are lower capital misallocation concerns with BHL (vs. BHARTI), which along with better return ratio, drives BHL to trade at an implied premium to BHARTI's India business, in our view.
- Since our downgrade in Jun'25, BHL has **underperformed BHARTI by ~17.5%** (BHL: -10%, BHARTI +8%). As a result, BHL's implied one-year forward EV/EBITDA premium to BHARTI's India business has shrunk to ~28% (from ~45% at the time of our downgrade) and ~20% on FY28 basis.
- We ascribe a DCF-based FY28E EV/EBITDA of 14.4x to BHL (which is at ~10% premium to our multiple for BHARTI's India wireless business). After the recent correction, **we upgrade BHL to BUY** from Neutral, **with a revised TP of INR2,000** (earlier INR2,060). Long-term risk-reward has turned favorable (bull case: INR2,400; bear case: INR1,535).

Bloomberg	BHARTIHE IN
Equity Shares (m)	500
M.Cap.(INRb)/(USD\$)	849.8 / 9.4
52-Week Range (INR)	2053 / 1225
1, 6, 12 Rel. Per (%)	-3/-10/21
12M Avg Val (INR M)	592

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	93.3	104.8	116.8
EBITDA	49.0	58.1	67.8
Adj. PAT	17.5	24.3	31.7
Adj. EPS (INR)	34.9	48.5	63.5
EPS Gr. (%)	36.3%	38.9%	30.9%
BV/Sh. (INR)	143.4	170.9	204.4
Ratios			
RoE (%)	26.7	30.9	33.8
RoCE (%)	16.3	22.6	30.2
Valuations			
P/E (x)	48.5	34.9	26.7
P/BV (x)	11.8	9.9	8.3
EV/EBITDA (x)	18.3	15.1	12.6
Div. Yield (%)	1.2	1.8	2.4

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	70.0	70.0	70.0
DII	10.2	9.8	8.9
FII	3.9	4.3	5.1
Others	15.8	15.9	16.1

FII Includes depository receipts

Steady 3Q with robust FCF generation and net debt reduction

- Overall 3Q revenue at INR23.6b grew 1.8% QoQ (+5% YoY), with customer revenue rising ~1.6% QoQ to INR22.4b.
- BHL's underlying sequential wireless revenue growth at 1.3% was weaker (vs. ~2%/3% QoQ for Airtel's India wireless and Rjio, including FTTH).
- Robust growth in HBB drove ~4% QoQ growth in overall EBITDA to INR12.5b (+9% YoY, 2% below), with margin expanding ~100bp QoQ to 53.2% (+200bp YoY, 50bp miss).
- Reported EBITDAaL grew 2.4% QoQ to INR11.2b, with pre-IND AS EBITDA margin rising ~20bp QoQ to 47.6%. Incremental pre-IND AS EBITDA margin improved to ~62% (vs. ~35% in 2Q).
- PAT at INR4.8b rose 14% QoQ (up 31% YoY) and was 4% above our estimate due primarily to a lower tax rate (16.5%, PBT was ~7% below our est.).
- Overall capex dipped 7% QoQ to INR3.4b (still up 20% YoY). As a result, free cash flow (after leases and interest payments) improved QoQ to INR6.6b (vs. INR4.4b QoQ) due to favorable working capital changes and lower interest payments (~INR1.1b lower QoQ).
- Net debt (ex-leases) declined to ~INR21.6b, with leverage ratio declining to 0.48x (vs. 0.64x QoQ and 1.13x for Bharti India).
- For 9MFY26, BHL's revenue/EBITDA/adj. PAT grew 11%/20%/59% YoY.

Wireless: Steady quarter with recovery in subscriber net adds

- Wireless ARPU grew 0.8% QoQ (vs. 1.1% QoQ for Airtel) to INR253 (+5% YoY, in line), driven by a better subscriber mix.
- After a decline in 2Q, paying subscriber base grew by 368k (vs. our est. +160k) in 3Q. However, management indicated that externalities have adversely impacted BHL's customer experience in Rajasthan circle, leading to weaker trends.
- Reported wireless revenue grew 1.5% QoQ to INR22.7b (+4% YoY, vs. our est. INR22.9b). Underlying customer revenue grew by a modest ~1.3% QoQ (+8% YoY, lower vs. ~2% QoQ for RJio/Bharti).
- Wireless EBITDA at INR12.5b (+6% YoY, 3% below) was up ~1.7% QoQ (+3%/~2% QoQ RJio, including FTTH/Airtel).
- Wireless EBITDA margin improved by ~10bp QoQ to 54.9% (+135bp YoY), but were weaker than ~20bp QoQ uptick for Airtel's India wireless business (60.5%).
- Incremental wireless EBITDA margin was ~62% (vs. ~52%/71% for RJio/Bharti).

Key takeaways from the management interaction

- **Weaker growth vs. Airtel:** The underperformance was attributed to a drag from the continuation of certain external challenges (interference from BSNL's network in RJ in our view).
- **Capital allocation:** BHL's robust balance sheet (<0.5x leverage) and rising free cash flow generation provide the company with significant resources to invest in growth. Increasing 5G coverage (in line with handset penetration growth) and ramp-up of FWA services (given lower fiber availability and difficult terrain) remain key focus areas for capex deployment.
- **Potential addressable market for HBB:** Compared to a nationwide potential of ~33-40% household penetration (100m out of ~250-300m households), the penetration in BHL's circles could be a tad lower. However, FWA could be a big play in driving the adoption of HBB in BHL's circles. Further, management noted that while the share of HBB in BHL's revenue mix has improved from ~2.5% to ~4% in past few years, it still remains below ~6.5% share for BHARTI India.

Valuation and view

- BHL provides a pure-play exposure to BHARTI's fast-growing wireless and HBB segments in circles with lower data and HBB penetration.
- Further, there are lower capital misallocation concerns with BHL (vs. BHARTI), which along with better return ratio, drives BHL to trade at an implied premium to BHARTI's India business, in our view.
- Our FY26-28E EBITDA and EPS are broadly unchanged. We model ~11%/17% CAGR in BHL's overall revenue/EBITDA over FY25-28E, driven by a potential ~15% tariff hike in Jul'26, ramp-up of FWA offerings and continued market share gains.
- Since our downgrade in Jun'25, BHL has **underperformed BHARTI by ~17.5%** (BHL: -10%, BHARTI +8%). As a result, BHL's implied one-year forward EV/EBITDA premium to BHARTI's India business has shrunk to ~28% (from ~45% at the time of our downgrade) and ~20% on FY28 basis.
- We ascribe a DCF-based FY28E EV/EBITDA of 14.4x to BHL (which is at ~10% premium to our multiple for Bharti's India wireless business). After the recent correction, **we upgrade BHL to BUY** from Neutral, **with a revised TP of INR2,000** (earlier INR2,060). Long-term risk-reward has turned favorable (bull case: INR2,400; bear case: INR1,535).

Consolidated - Quarterly earnings summary

(INR m)

Y/E March	FY25				FY26E				FY25	FY26	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	19,106	20,976	22,507	22,890	22,630	23,173	23,598	23,941	85,479	93,342	23,724	-0.5
YoY Change (%)	13.6	20.7	25.0	22.5	18.4	10.5%	4.8%	4.6%	20.6%	9.2%		
Total Expenditure	10,348	10,957	10,990	11,212	11,023	11,092	11,054	11,217	43,507	44,386	10,994	0.5
EBITDA	8,758	10,019	11,517	11,678	11,607	12,081	12,544	12,724	41,972	48,956	12,730	-1.5
YoY Change (%)	5.5	21.3	39.2	33.0	32.5	20.6%	8.9%	9.0%	49.1	52.4		
Depreciation	4,957	5,361	5,315	5,312	5,273	5,543	5,668	5,692	20,945	22,176	5,598	1.2
Net Finance cost	1,615	1,754	1,802	1,712	1,541	1,509	1,470	1,426	6,883	5,946	1,479	-0.6
Other Income	399	491	450	478	475	612	375	388	1,818	1,850	550	-31.8
PBT before EO expense	2,585	3,395	4,850	5,132	5,268	5,641	5,781	5,994	15,962	22,684	6,203	-6.8
Extra-Ord expense	-3,183	0	1,057	0	0	0	91	0	-2,126	91	0	
PBT	5,768	3,395	3,793	5,132	5,268	5,641	5,690	5,994	18,088	22,593	6,203	-8.3
Tax	656.0	864.0	1,184.0	448.0	1,352.0	1,429.0	953.0	1,462.4	3,152.0	5,196.4	1,561.3	-39.0
Rate (%)	11.4	25.4	31.2	8.7	25.7	25.3%	16.7%	24.4%	17.4%	23.0%		
Reported PAT	5,112	2,531	2,609	4,684	3,916	4,212	4,737	4,532	14,936	17,397	4,642	2.1
Adj PAT	1,929	2,531	3,666	3,802	3,916	4,212	4,805	4,532	12,810	17,465	4,642	3.5
YoY Change (%)	-23.8	112.8	72.4	70.8	103.0	66.4	31.1	19.2	58.7	36.3		

E: MOFSL Estimates

Exhibit 1: We ascribe a TP of INR2,000 to BHL

	Valuation base (INR b)		Multiple (X)		Valuation	
	Mar'28E EBITDA		EBITDA	Other	(INR b)	(INR/sh)
BHL						
Mobility	67		14.4	DCF implied	969	1,938
Homes and offices	3		14.4		48	95
BHL EV	68		15.0		1,017	2,033
Net debt (including leases)					27	54
Dividends					11	21
BHL equity value					1,000	2,000

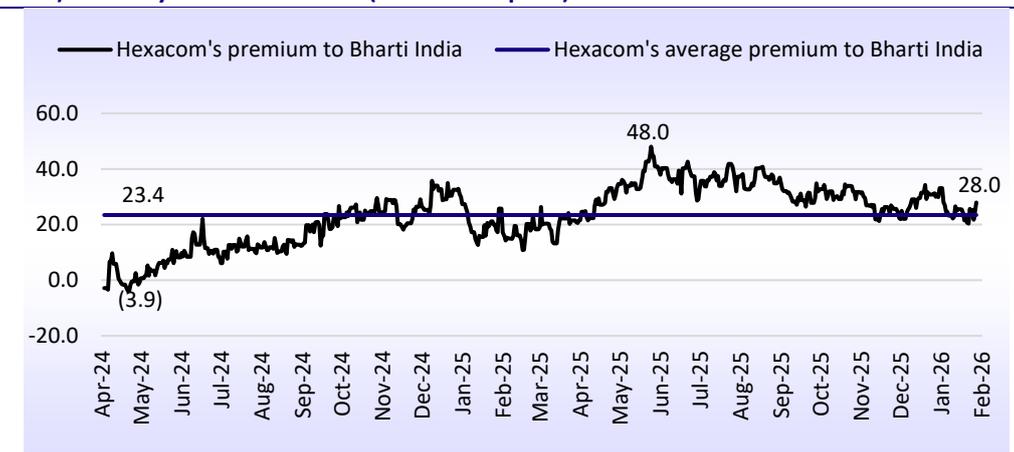
Exhibit 2: BHL currently trades at ~28% premium to Bharti's India business (excluding Indus) on one-year forward basis (vs. ~48% at peak)


Exhibit 3: BHL currently trades at ~15.8x one-year forward EV/EBITDA (~5% below mean)



Exhibit 4: Estimate changes

	FY26E	FY27E	FY28E
Revenue consolidated (INRb)			
Old	93.1	103.5	115.8
New	93.3	104.8	116.8
Change (%)	0.2	1.2	0.9
EBITDA consolidated (INRb)			
Old	49.0	57.3	67.4
New	49.0	58.1	67.8
Change (%)	0.0	1.4	0.6
EBITDA margin consolidated (%)			
Old	52.6	55.4	58.2
New	52.4	55.5	58.0
Change (bp)	-13	9	-14
Net Income consolidated (INRb)			
Old	17.4	24.1	31.8
New	17.5	24.3	31.7
Change (%)	0.1	0.6	-0.1
Mobility			
EoP subs			
Old	28.4	28.5	29.0
New	28.6	28.7	29.1
Change (%)	0.8	0.7	0.5
Consumer ARPU			
Old	249.0	274.2	301.7
New	249.2	275.2	302.1
Change (%)	0.1	0.4	0.1
Mobility Revenue			
Old	89.8	98.9	109.2
New	90.0	100.0	110.2
Change (%)	0.2	1.1	0.9
Mobility EBITDA			
Old	49.8	57.4	65.6
New	49.3	57.6	66.7
Change (%)	-1.1	0.4	1.7

Steady 3Q; net debt dips ~INR6.6b driven by robust FCF generation

- 3Q overall reported revenue of INR23.6b (+5% YoY, vs. our est. INR23.7b) grew 1.8% QoQ. Excluding ICR revenue from in-roamers, customer revenue grew 1.6% QoQ to ~INR22.4b.
- 3Q overall EBITDA rose ~4% QoQ to INR12.5b (+9% YoY) but was ~2% below our estimate (INR12.7b).
- Reported EBITDA margin expanded ~100bp QoQ to 53.2% (+200bp YoY, but 50bp below our estimate), significantly below 58.7% (up 20bp QoQ) for Bharti's India operations (ex-Indus).

- Reported EBITDAaL grew 2.4% QoQ to INR11.2b, with pre-IND AS EBITDA margin rising ~20bp QoQ to 47.6%. Incremental pre-IND AS EBITDA margin improved to ~62% (vs. ~35% in 2Q).
- Depreciation & amortization increased 2% QoQ to INR5.7b, while net finance cost rose ~22% QoQ (-19% YoY) to INR1.1b (18% higher).
- Adjusted PAT came in at INR4.8b (up 14% QoQ, +31% YoY), ~4% above our estimate, due primarily to a low tax rate (16.5%, PBT was ~7% below our est.).

Healthy FCF generation leads to a sharp net debt reduction

- 3Q capex dipped 7% QoQ to INR3.4b (up 20% YoY, 15% below our est.).
- Net debt (ex-leases) declined ~INR6.6b QoQ to INR21.6b (vs. INR28.2b QoQ). Including the impact of leases, net debt stood at INR56b (vs. INR63b QoQ).
- Net debt (ex-leases)-to-EBITDAaL ratio declined to 0.48x (vs. 0.64x QoQ, 1.13x for Bharti's India SA business).
- Free cash flow (after leases and interest payments) improved to INR6.6b (vs. INR4.4b QoQ), driven by favorable working capital changes and lower interest payments (~INR1.1b lower QoQ).

Wireless: Steady 3Q with a modest ~1% QoQ ARPU uptick; net adds recover

- Wireless ARPU grew 0.8% QoQ (vs. 1.1% QoQ for Airtel) to INR253 (+5% YoY, in line), driven by subscriber mix improvements.
- Paying subscriber base inched up by ~368k (vs. 110k net declines QoQ and our est. of ~160k net adds). Hexacom accounted for ~8.5% of Bharti's paying net adds (vs. ~7.7% share in Bharti's paying subs base).
- However, the subscriber mix continued to improve as Hexacom added 283k smartphone net adds QoQ. BHL's share of Bharti's 4G/5G net adds inched up to ~5.5% (vs. 3.8% QoQ and ~7.7% share of Airtel's 4G subscriber base).
- The share of data subs in BHL's mix moderated ~5bp QoQ to 78.5%, and remains below Airtel's at 79.8% (+30bp QoQ).
- Reported wireless revenue grew 1.5% QoQ to INR22.7b (+4% YoY, vs. our est. INR22.9b).
- Customer revenue grew ~1.3% QoQ (vs. ~3%/2% QoQ for R-Jio, including FTTH and Airtel's India wireless) to INR21.4b (+8% YoY, in line).
- Wireless EBITDA at INR12.5b (+6% YoY, 3% below our estimate) was up 1.7% QoQ (vs. ~3%/2% QoQ R-Jio, including FTTH/Airtel).
- Wireless EBITDA margins improved ~10bp QoQ to 54.9% (+135bp YoY, vs. -5bp QoQ to 54.2% for R-Jio), but were weaker than the 20bp QoQ improvement for Airtel's India wireless business to 60.5%.
- Incremental margins stood at ~62% (vs. 52%/71% for R-Jio and Bharti). On a YoY basis, incremental margin stood at ~93%.
- Wireless capex declined ~10% QoQ to INR2.2b (-2% YoY).

Homes and Offices: Net subscriber adds remain elevated

- Homes BB subs base reached ~0.63m (+60% YoY) as net adds accelerated to 73k (vs. QoQ and our est. of 60k). BHL accounted for ~6.3% of Airtel's Homes BB net adds (vs. ~4.8% share in Airtel's Homes BB subs base).
- Reported Homes ARPU was stable QoQ at INR483/month (-3% YoY, vs. ~1% QoQ dip for Airtel to INR529/month).

- Homes and Offices revenue was up ~10% QoQ to INR0.98b (+51% YoY, 2% above) and was better than ~7% QoQ growth for Airtel.
- Homes and Offices EBITDA at INR0.35b (5% below) was up ~18% QoQ (+77% YoY, vs. 7.5% QoQ growth for Airtel), as margins expanded ~215bp QoQ to 35.9% (+535bp YoY). Comparatively, Airtel's Home BB margins were largely stable QoQ at 50.1%.
- Capex in the Homes business moderated ~3% QoQ to INR1.2b (up ~2x YoY).

Other highlights: Data engagement remains best in class

- Data volume grew 5% QoQ (vs. 6% QoQ in 2QFY26, +7-8% QoQ R-Jio including FTTH and Airtel India).
- Data usage per sub improved to 32GB/month (vs. 30.7GB QoQ, 40.7GB for R-Jio, including FTTH, and higher than 29.8GB for Airtel on a pan-India basis).
- Voice usage on the network grew ~2% QoQ (flat QoQ in 2QFY26, +1-2% QoQ for R-Jio and Airtel), with minutes of usage (MoU) per subscriber rising to 1,135 mins/month (vs. 1,111 mins QoQ, ~998 mins for R-Jio, and slightly lower vs. 1,152 mins for Airtel on a pan-India basis).
- Tower count increased by 43 QoQ (vs. an increase of 39 QoQ in 2QFY26) to 26.6k towers. Revenue per site grew ~1% QoQ to INR284k/month (+2% YoY, vs. +1% QoQ to INR276k for Airtel).

Exhibit 5: Consolidated results summary

	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26E	vs est.
Bharti Hexacom							
Revenues	22,507	23,173	23,598	4.8	1.8	23,724	(0.5)
Access charges	2,304	1,675	1,770	(23.2)	5.7	1,757	0.8
License and spectrum fee	2,074	2,138	2,173	4.8	1.6	2,171	0.1
Network operating costs	4,853	5,303	5,216	7.5	(1.6)	5,145	1.4
Employee costs	292	320	306	4.8	(4.4)	327	(6.4)
SG&A expenses	1,467	1,656	1,589	8.3	(4.0)	1,594	(0.3)
Total costs	10,990	11,092	11,054	0.6	(0.3)	10,994	0.5
EBITDA	11,517	12,081	12,544	8.9	3.8	12,730	(1.5)
EBITDA margin (%)	51.2	52.1	53.2	199 bp	102 bp	53.7	(50)bp
Depreciation and amortization	5,315	5,543	5,668	6.6	2.3	5,598	1.2
EBIT	6,202	6,538	6,876	10.9	5.2	7,132	(3.6)
EBIT margin (%)	27.6	28.2	29.1	158 bp	92 bp	30.1	(92)bp
Net finance cost	1,352	897	1,095	(19.0)	22.1	929	17.9
PBT	4,850	5,641	5,781	19.2	2.5	6,203	(6.8)
Tax provision	1,184	1,429	953	(19.5)	(33.3)	1,561	(39.0)
Extraordinary items	1,057	-	91			-	
Reported net income	2,609	4,212	4,737	81.6	12.5	4,642	2.1
Adjusted net income	3,666	4,212	4,805	31.1	14.1	4,642	3.5
Reported EPS (INR)	5.2	8.4	9.5	81.6	12.5	9.3	2.1
Adjusted EPS (INR)	7.3	8.4	9.7	31.7	14.6	9.3	4.0
Costs as % of revenue							
Access charges	(10.2)	(7.2)	(7.5)	274 bp	(27)bp	(7.4)	(10)bp
License and spectrum fee	(9.2)	(9.2)	(9.2)	1 bp	2 bp	(9.2)	(6)bp
Network operating costs	(21.6)	(22.9)	(22.1)	(54)bp	78 bp	(21.7)	(42)bp
Employee costs	(1.3)	(1.4)	(1.3)	0 bp	8 bp	(1.4)	8 bp
SG&A expenses	(6.5)	(7.1)	(6.7)	(22)bp	41 bp	(6.7)	(1)bp
Total costs	(48.8)	(47.9)	(46.8)	199 bp	102 bp	(46.3)	(50)bp

Exhibit 6: Segmental performance summary

	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26E	vs est.
Segmental revenue (INR m)							
Wireless	21,931	22,385	22,718	3.6	1.5	22,867	(0.7)
Homes	645	880	972	50.8	10.4	951	2.2
Overall	22,507	23,173	23,598	4.8	1.8	23,724	(0.5)
Eliminations	(69)	(92)	(92)			(94)	
Segmental EBITDA (INR m)							
Wireless	11,741	12,266	12,471	6.2	1.7	12,911	(3.4)
Homes	197	297	349	77.2	17.5	369	(5.4)
Overall	11,517	12,081	12,544	8.9	3.8	12,730	(1.5)
Eliminations	(421)	(482)	(276)			(550)	
Segmental EBITDA margin (%)							
Wireless	53.5	54.8	54.9	136 bp	10 bp	56.5	(157)bp
Homes	30.6	33.7	35.9	534 bp	216 bp	38.8	(290)bp
Overall	51.2	52.1	53.2	199 bp	102 bp	53.7	(50)bp
Segmental Capex (INR m)							
Wireless	2,235	2,422	2,191	(2)	(10)	2,973	(26)
Homes	598	1,254	1,212	103	(3)	1,050	15
Overall	2,833	3,676	3,403	20.1	(7.4)	4023	(15.4)

Source: Company, MOFSL

Exhibit 7: Key operational metrics

Operating metrics	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26E	vs est.
Wireless							
Wireless ARPU	241	251	253	4.8	0.8	253	0.0
EoP reported subs (m)	27.6	28.0	28.4	2.9	1.3	28.2	0.7
Net adds ('000)	491	(110)	368			162	128.0
EoP data subs (m)	21.0	22.0	22.3	6.0	1.3	22.4	(0.5)
Data net adds ('000)	447	184	276			392	(29)
Data subs proportion (%)	76.2	78.6	78.5	235 bp	(5)bp	79.5	(99)bp
EoP 4G subs (m)	20.8	22.0	22.2	7.1	1.3	22.3	(0.4)
4G net adds (m)	455	193	283			376	(25)
Data volume (m GBs)	1,673	2,077	2,171	29.8	4.5	2,128	2.0
Data usage per data sub (GB/month)	26.2	30.7	32.0	22.1	4.1	31.2	2.6
Average data realization (INR/GB)	13.4	11.0	10.7	(20.2)	(2.8)	-	
Voice usage on network (b mins)	94.4	93.7	95.9	1.6	2.4	95.7	0.2
Minute of usage per sub (min/month)	1,150	1,111	1,135	(1.3)	2.2	1,134	0.0
Network towers ('000)	26,335	26,529	26,572	0.9	0.2	26,589	(0.1)
MBB sites ('000)	89,726	92,455	93,472	4.2	1.1	92,644	0.9
Revenue per tower (INR/month)	2,77,848	2,80,610	2,84,479	2.4	1.4	-	
Homes and offices							
Cities covered (#)	110	117	117	6.4	-	-	
Reported ARPU (INR/month)	499	484	483	(3.3)	(0.3)	483	(0.0)
Calculated ARPU (INR/month)	575	552	542	(5.8)	(1.8)	536	1.1
EoP reported subs (k)	395	561	634	60.3	12.9	621	2.0
Net adds ('000)	44	60	73			60	
Implied other revenue (INR m)	85	108	106	24.3	(1.6)	94	13.0

Note: BHL has restated its total MBB sites to include 5G BTS retrospectively from Sep'24

Source: Company, MOFSL

Exhibit 8: Bharti Hexacom generated ~INR6.6b FCF (post interest and leases) in 3QFY26

FCF, post lease and interest payment	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	FY2024	FY2025
CF before WC changes	8,610	8,569	10,207	9,577	10,963	10,338	10,813	34,764	36,963
WC changes	4,475	1,826	631	1,932	2,474	937	1,388	697	8,864
Cashflow from operations	13,085	10,395	10,838	11,509	13,437	11,275	12,201	35,461	45,827
Lease payments	(755)	(750)	(1,004)	(953)	(914)	(966)	(929)	(2,930)	(3,462)
Capex in tangible assets	(4,728)	(5,252)	(4,025)	(11,167)	(2,956)	(4,220)	(4,119)	(20,829)	(25,172)
Paid finance cost	(1,728)	(1,661)	(671)	(1,335)	(625)	(1,647)	(599)	(5,356)	(5,395)
FCF, post lease and interest payment	5,874	2,732	5,138	(1,946)	8,942	4,442	6,554	6,346	11,798
Spectrum prepayments				8,576				-	8,576
Adjusted FCF post leases and interest	5,874	2,732	5,138	6,630	8,942	4,442	6,554	6,346	20,374

Exhibit 9: Bharti Hexacom's net debt (excl. leases) to EBITDAaL moderated to ~0.48x (vs. 1.03x YoY)

Debt and cash trends (INR m)	Mar-23	Sep-23	Mar-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Reported gross debt	62,693	62,353	48,347	48,901	43,033	37,800	29,155	31,264	28,875
LT debt	19,999								
ST debt (inc. current maturities)	15,001	35,013	20,001	11,907	6,040	8,746	9	2,522	133
Deferred payment liabilities	27,693	27,340	28,346	36,994	36,993	29,054	29,147	28,742	28,742
Cash and Cash Equivalents	11,015	15,775	2,774	340	187	910	1,091	3,081	7,310
Cash and Cash Equivalents	555	463	398	334	169	171	351	212	244
Investments & Receivables	10,460	15,312	2,376	6	18	739	740	2,869	7,066
Net Debt excluding Lease Obligations	51,678	46,578	45,573	48,561	42,846	36,890	28,064	28,183	21,565
Lease Obligation	29,343	30,968	32,700	36,229	36,054	35,729	35,096	34,806	34,724
Net Debt including Lease Obligations	81,021	77,546	78,273	84,790	78,900	72,619	63,160	62,989	56,289
Net debt (including leases) to EBITDA	2.63	2.35	2.23	2.12	1.71	1.55	1.36	1.30	1.12
Net debt (excluding leases) to EBITDAaL			1.46	1.35	1.03	0.87	0.65	0.64	0.48

Source: Company, MOFSL

Exhibit 10: BHL's wireless customer revenue up 1.3% QoQ; roaming contribution weaker in a seasonally strong quarter

Bharti Hexacom (INR m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Reported wireless revenue	16,473	17,029	17,477	18,232	18,604	20,433	21,931	22,249	21,916	22,385	22,718
Revenue based on reported ARPU	15,155	15,506	16,025	16,562	16,881	18,707	19,820	20,194	20,794	21,142	21,418
Revenue from in-roamers	1,318	1,523	1,453	1,671	1,723	1,726	2,112	2,055	1,122	1,243	1,300
Implied ARPU (INR/month)	209	213	219	224	225	248	267	266	259	265	268
Reported ARPU (INR/month)	194	196	200	204	205	228	241	242	246	251	253
ARPU from in-roamers (INR/month)	15	17	18	20	20	21	25	24	13	14	15
Access charges	1,641	1,856	1,897	2,067	2,209	2,238	2,304	2,468	1,630	1,675	1,770
Access charges per wireless sub (INR/month)	21	23	24	25	27	27	28	30	19	20	21
Net impact from ICR/IUC (INR/month)	-6	-6	-5	-6	-7	-7	-3	-5	-7	-6	-6

Source: Company, MOFSL

Exhibit 11: Key assumptions for Bharti Hexacom

	2022	2023	2024	2025	2026E	2027E	2028E
Mobility business							
Paying subscriber base ('000s)	24,767	25,827	27,341	28,129	28,575	28,697	29,099
Net monthly additions ('000s)	(18)	88	126	66	37	10	33
Data subscribers ('000s)	15,382	17,333	19,773	21,565	22,670	23,823	24,740
Net monthly additions ('000s)	125	163	203	149	92	96	76
Wireless ARPU (INR/sub/month)	155	186	198	227	249	275	302
Change (%)	14.7	20.0	6.7	14.6	9.7	10.4	9.8
Data volumes (b MB)	3,582	4,354	5,272	6,698	8,424	10,207	12,187
Change (%)	42.5	21.6	21.1	27.0	25.8	21.2	19.4
Data consumption (MB/sub/month)	20,396	22,182	23,681	27,006	31,740	36,589	41,825
Change (%)	18.6	8.8	6.8	14.0	17.5	15.3	14.3
Voice traffic (b mins)	297	322	352	369	380	390	400
Change (%)	14.5	8.3	9.3	5.0	3.1	2.5	2.5
MOU (min/sub/month)	995	1,060	1,102	1,109	1,118	1,135	1,153
Change (%)	15.0	6.5	4.0	0.6	0.8	1.5	1.6
Homes and offices							
EoP subscriber base ('000s)	131	219	305	448	700	961	1,225
Net monthly additions ('000s)	5.1	7.3	7.2	11.9	21.0	21.8	22.0
Implied ARPU (INR/month)	683	599	542	482	478	477	502
Change (%)	(11.8)	(12.4)	(9.5)	(11.1)	(0.8)	(0.2)	5.2
Capex (INR m)							
Mobility (ex-spectrum)	8,320	14,563	18,970	22,745	9,536	10,590	11,572
as % of revenues	15.7	22.7	27.4	27.3	10.6	10.6	10.5
Overall (ex-spectrum)	8,745	15,162	20,235	24,889	14,115	15,027	16,192
as % of revenues	16.2	23.0	28.5	29.1	15.1	14.3	13.9
Overall (with spectrum)	8,745	29,939	20,235	37,968	14,115	15,027	16,192
as % of revenues	16.2	45.5	28.5	44.4	15.1	14.3	13.9

Source: Company, MOFSL

Exhibit 12: 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	90	100	110
Homes and offices	1	2	2	3	4	5	7
Bharti Hexacom	54	66	71	85	93	105	117
Eliminations	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Segmental EBITDA (INR b)							
Mobility	19	28	34	43	49	58	67
Homes and offices	0	0	1	1	1	2	3
Bharti Hexacom	18	28	34	42	49	58	68
Eliminations	(1)	(1)	(1)	(2)	(2)	(2)	(2)
Segmental EBITDA margin (%)							
Mobility	35.0	44.0	49.4	51.6	54.8	57.6	60.5
Homes and offices	32.4	28.7	34.0	32.0	34.9	40.7	46.7
Bharti Hexacom	33.6	42.3	47.4	49.1	52.4	55.5	58.0
Segmental Capex (INR b)							
Mobility	8	15	19.0	22.7	9.5	10.6	11.6
Homes and offices	0	1	1.3	2.1	4.6	4.4	4.6
Bharti Hexacom	9	15	20.2	24.9	14.1	15.0	16.2
Capex to sales (%)							
Mobility	15.6	22.5	27.4	27.3	10.6	10.6	10.5
Homes and offices	39.5	38.8	61.4	85.0	124.0	85.4	65.4
Bharti Hexacom	16.2	23.0	28.5	29.1	15.1	14.3	13.9

Source: Company, MOFSL

Exhibit 13: For every INR10 change in ARPU, BHL's FY27E EBITDA changes by ~INR2.2b (or ~3.8%)

TP (INR/share)	FY27E wireless ARPU (INR)					
	255	265	275	285	295	
	27.7	52.7	54.9	57.0	59.2	61.4
	28.2	53.2	55.4	57.6	59.8	62.0
FY27E Paying wireless subs (m)	28.7	53.7	55.9	58.1	60.4	62.6
	29.2	54.2	56.4	58.7	60.9	63.2
	29.7	54.6	56.9	59.2	61.5	63.7

Source: Company, MOFSL

Exhibit 14: Near-term growth likely to remain robust driven by ~15% tariff hike in July'25

FY25-28E	Bear	Base	Bull
Paying subs	1.0%	1.1%	1.0%
Wireless ARPU	8.2%	10.0%	11.4%
Wireless revenue (including in-roaming)	7.4%	9.8%	12.6%
Wireless EBITDA	11.6%	16.1%	16.9%

*Customer revenue expected to record ~11.5% CAGR over FY25-28E, in our base case

Exhibit 15: We model ~8% LT EBITDA growth driven largely by ~6% ARPU CAGR

FY28-35E	Bear	Base	Bull
Paying subs	0.9%	1.2%	1.0%
Wireless ARPU	5.0%	6.0%	7.0%
Wireless revenue (including in-roaming)	6.0%	7.3%	7.5%
Wireless EBITDA	6.4%	7.7%	9.1%

Exhibit 16: BHL's risk-reward analysis

	Base	Bear	Bull
BHL (INR/sh)			
Mobility	1,938	1,499	2,316
Homes and offices	95	74	114
BHL EV	2,033	1,573	2,429
Net debt (including leases)	54	58	54
Dividends	21	19	25
BHL equity value	2,000	1,535	2,400
<i>Upside/downside to CMP (%)</i>	18	(9)	42

Exhibit 17: Summary of BHL wireless business valuations and upside/downside skew, FY2025-35E

	Base	Bear	Bull
BHL- wireless			
10-year subscriber CAGR	1.2%	0.9%	1.0%
10-year ARPU CAGR	7.2%	6.0%	8.3%
INR 300 ARPU achieved by	FY28	FY29	FY28
10-yr revenue CAGR	8.1%	6.4%	9.0%
10-yr EBITDA CAGR	10.1%	7.9%	11.3%
Enterprise value (INR b)	969	750	1,158
<i>Implied Sep'27E EBITDA</i>	14.4	12.6	16.9
BHL wireless Enterprise value (INR/share)	1,938	1,499	2,316
BHL SoTP based Fair value (INR/share)	2,000	1,535	2,400
<i>Upside / downside to CMP</i>	18%	-9%	42%

Exhibit 18: We ascribe INR969b (or INR1,938/share) valuation to BHL's mobility business (14.4x Mar'28 EBITDA)

	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY36E	FY37E
Assumptions													
Paying subscriber base (m)	28.1	28.6	28.7	29.1	29.6	30.0	30.4	30.8	31.1	31.3	31.5		
Net adds	0.8	0.4	0.1	0.4	0.5	0.5	0.4	0.4	0.3	0.3	0.2		
ARPU (INR/month)	227	249	275	302	328	354	379	401	422	438	454		
YoY	14.6	9.7	10.4	9.8	8.5	8.0	7.0	6.0	5.0	4.0	3.5		
DCF model													
EBITDA	43	49	58	67	75	82	90	97	103	108	113		
Adjusted tax expense	-3	-5	-8	-11	-12	-14	-16	-18	-19	-20	-21		
Change in working capital	1	1	1	1	1	1	1	1	1	1	1		
Operating cash flow	41	45	51	57	63	69	75	80	85	89	92		
Capital expenditure	-13	-10	-11	-12	-15	-16	-17	-17	-18	-18	-19		
Free cash flow	28	35	40	46	48	53	58	63	67	70	73	77	80
Discounted cash flow-now		35	36	37	36	36	35	34	33	32	30		
Discounted cash flow-1 year forward			40	41	39	40	39	38	37	35	33	31	
Discounted cash flow-2 year forward				46	43	44	43	42	40	39	36	35	33
		Now	Y+1	Y+2									
WACC (%)		10.5%	10.5%	10.5%									
Total PV of free cash flow		345	373	401									
Terminal value assumption													
Terminal growth rate (%)		4.5%	4.5%	4.5%									
FCF in terminal year		73	77	80									
Exit FCF multiple (X)		17.4	17.4	17.4									
Exit EV/EBITDA multiple (X)		11.4	11.9	12.4									
Terminal value		1,279	1,337	1,397									
PV of terminal value		520	544	568									
EV of mobility business (INR b)		865	917	969									
Implied EV/EBITDA		17.5	15.8	14.4									
Shares outstanding (m)		500	500	500									
EV/share for BHL's mobility (INR/share)		1,730	1,834	1,938									

Exhibit 19: For every INR10 change in ARPU, BHL's TP changes by ~INR64/share (~3.2%)

		FY27E wireless ARPU (INR)				
		255	265	275	285	295
FY27E Paying wireless subs (m)	27.7	1,843	1,906	1,969	2,033	2,096
	28.2	1,857	1,921	1,985	2,049	2,112
	28.7	1,872	1,936	2,000	2,065	2,129
	29.2	1,886	1,951	2,016	2,081	2,146
	29.7	1,900	1,966	2,031	2,097	2,162

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	93,342	1,04,783	1,16,821
Change (%)		17.4	21.7	7.7	20.6	9.2	12.3	11.5
Access Charges	13,454	11,331	9,833	7,461	9,219	6,890	7,045	7,040
License Fee	4,379	5,718	6,329	6,520	7,824	8,634	9,640	10,748
Network Operating	14,279	14,862	15,863	16,849	19,047	20,910	21,545	22,153
Personnel	763	764	903	1,054	1,342	1,249	1,449	1,671
SG&A	1,410	1,993	3,067	3,692	4,073	3,903	4,049	4,270
Other Expenses	1,214	1,244	1,938	1,700	2,002	2,800	2,934	3,154
Total Expenditure	35,499	35,912	37,933	37,276	43,507	44,386	46,661	49,035
% of Sales	77.1	66.4	57.7	52.6	50.9	47.6	44.5	42.0
EBITDA	10,524	18,140	27,857	33,612	41,972	48,956	58,122	67,786
Margin (%)	22.9	33.6	42.3	47.4	49.1	52.4	55.5	58.0
Depreciation	12,852	14,410	15,533	17,392	20,945	22,176	22,937	23,800
EBIT	-2,328	3,730	12,324	16,220	21,027	26,780	35,185	43,986
Int. and Finance Charges	5,166	5,718	6,388	6,444	6,883	5,946	4,772	3,811
Other Income	1,020	888	1,402	2,487	1,818	1,850	2,000	2,250
PBT bef. EO Exp.	-6,474	-1,100	7,338	12,263	15,962	22,684	32,413	42,425
EO Items	3,417	-19,511	0	3,030	-2,126	91	0	0
PBT after EO Exp.	-9,891	18,411	7,338	9,233	18,088	22,593	32,413	42,425
Total Tax	448	1,665	1,846	4,189	3,152	5,196	8,158	10,678
Tax Rate (%)	-4.5	9.0	25.2	45.4	17.4	23.0	25.2	25.2
Reported PAT	-10,339	16,746	5,492	5,044	14,936	17,397	24,254	31,747
Adjusted PAT	-6,922	-2,765	5,492	8,074	12,810	17,465	24,254	31,747
Change (%)	NA	-60.1	-298.6	47.0	58.7	36.3	38.9	30.9
Margin (%)	-15.0	-5.1	8.3	11.4	15.0	18.7	23.1	27.2

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	69,218	82,972	99,719
Net Worth	19,860	36,605	42,095	46,387	59,321	71,718	85,472	1,02,219
Total Loans	59,752	71,983	62,693	48,346	37,799	22,799	12,799	2,799
Lease liabilities	17,983	18,701	29,343	32,700	35,729	33,005	30,593	28,355
Capital Employed	97,595	1,27,289	1,34,131	1,27,433	1,32,849	1,27,521	1,28,864	1,33,373
Net Fixed Assets	39,054	38,400	40,708	53,444	54,165	55,215	55,945	56,540
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	27,381	24,635	22,211
Total Investments	315	814	10,792	2,721	938	938	938	938
Other Non-Current Asset	11,984	11,017	11,574	9,764	8,563	7,766	7,128	6,617
Curr. Assets, Loans & Adv.	19,880	39,409	18,184	21,251	18,245	23,028	32,019	43,814
Account Receivables	1,429	20,958	1,489	4,446	1,083	866	866	866
Cash and Bank Balance	277	885	555	398	171	6,354	15,345	27,140
Other Current Asset	18,174	17,566	16,140	16,407	16,991	15,807	15,807	15,807
Curr. Liability & Prov.	43,830	30,542	37,620	45,779	45,564	47,672	47,672	47,672
Account Payables	22,240	14,952	14,406	14,848	15,860	17,446	17,446	17,446
Provisions	9,793	10,474	11,266	12,196	14,134	14,828	14,828	14,828
Other Current Liability	11,797	5,116	11,948	18,735	15,570	15,398	15,398	15,398
Net Current Assets	-23,950	8,867	-19,436	-24,528	-27,319	-24,643	-15,653	-3,858
Deferred Tax assets	14,112	12,526	10,878	10,843	14,462	14,462	14,462	14,462
Deferred Revenue	-8,610	-8,912	-10,778	-11,962	-14,097	-14,097	-14,097	-14,097
Appl. of Funds	97,595	1,27,289	1,34,131	1,27,433	1,32,850	1,27,521	1,28,864	1,33,373

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	34.9	48.5	63.5
Cash EPS	11.9	23.3	42.1	50.9	67.5	79.3	94.4	111.1
BV/Share	39.7	73.2	84.2	92.8	118.6	143.4	170.9	204.4
DPS	0.0	0.0	1.5	4.0	10.0	21.0	30.0	40.0
Payout (%)	0.0	0.0	13.7	39.7	33.5	60.4	61.8	63.0
Valuation (x)								
P/E	-122.4	-306.5	154.3	105.0	66.2	48.5	34.9	26.7
Cash P/E	142.9	72.8	40.3	33.3	25.1	21.4	18.0	15.3
P/BV	42.7	23.2	20.1	18.3	14.3	11.8	9.9	8.3
EV/Sales	20.1	17.3	14.3	13.1	10.8	9.6	8.4	7.3
EV/EBITDA	87.9	51.7	33.7	27.6	21.9	18.3	15.1	12.6
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	26.7	30.9	33.8
RoCE	NA	3.0	7.3	7.1	13.4	16.3	22.6	30.2
RoIC	NA	2.5	8.1	10.9	12.7	16.3	23.2	31.1
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	3	3	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	22,593	32,413	42,425
Depreciation	12,852	14,410	15,533	17,392	20,945	22,176	22,937	23,800
Interest & Finance Charges	5,060	5,689	6,289	5,668	6,828	4,096	2,772	1,561
Direct Taxes Paid	-335	-148	-197	-174	-6,747	-5,196	-8,158	-10,678
(Inc)/Dec in WC	3,992	-25,988	21,980	697	8,863	4,306	638	510
CF from Operations	11,678	12,374	50,943	32,816	47,977	47,974	50,601	57,618
Others	-2,385	-6,078	-6,545	-5,641	-11,008	-9,526	-8,084	-6,881
CF from Operating incl EO	9,293	6,296	44,398	27,175	36,969	38,448	42,517	50,737
(Inc)/Dec in FA	-14,532	-13,338	-9,391	-20,477	-14,783	-14,115	-15,027	-16,192
Free Cash Flow	-5,239	-7,042	35,007	6,698	22,186	24,333	27,491	34,545
(Pur)/Sale of Investments	6,485	-471	-9,680	8,505	1,736	0	0	0
Others	-778	-16	-1,238	421	-10,359	1,850	2,000	2,250
CF from Investments	-8,825	-13,825	-20,309	-11,551	-23,406	-12,265	-13,027	-13,942
Issue of Shares								
Inc/(Dec) in Debt	-163	8,115	-24,428	-15,000	-11,790	-15,000	-10,000	-10,000
Interest Paid	-3,409	-2,823	-3,855	-5,356	-5,395	-5,946	-4,772	-3,811
Dividend Paid	0	0	0	-750	-2,000	-5,000	-10,500	-15,000
Others (Lease)	-2,470	-3,461	-2,831	-2,930	-3,462	-3,579	-3,312	-3,070
CF from Fin. Activity	-163	8,115	-24,428	-15,750	-13,790	-20,000	-20,500	-25,000
Inc/Dec of Cash	305	586	-339	-126	-227	6,183	8,991	11,795
Opening Balance	-28	277	863	524	398	171	6,354	15,345
Closing Balance	277	863	524	398	171	6,354	15,345	27,140
Less :- Bank overdraft	0	-22	-31	0	0	0	0	0
Net Closing Balance	277	885	555	398	171	6,354	15,345	27,140

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NOTES

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NEUTRAL	< - 10 % to 15%
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