

Retail Equity Research

Vodafone Idea Limited

Telecommunication Services

BSE CODE: 532822

NSE CODE: IDEA

Bloomberg CODE: IDEA:IN

SENSEX: 75,391

HOLD

12 Months Investment Period

Rating as per Mid Cap

CMP Rs. 15.0

TARGET Rs. 16.4

 RETURN 9% 

(Closing: 27-05-24)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

ARPU improved; upgraded to HOLD

Vodafone Idea Ltd is a telecom service provider, offering 2G, 3G and 4G services. It also has mobile payments, advanced enterprise offerings and entertainment. It serves customers in India.

- The company recorded a flat growth in consolidated revenue in Q4FY24 (+0.7% YoY). ARPU, however, rose 8.1% YoY to Rs. 146 (+0.7% QoQ).
- EBITDA margin widened 90bps YoY to 40.9% on account of lower costs and better product mix. Net loss widened to Rs. 7,675cr.
- It expects to launch 5G services in India over the next six months.
- During the quarter the company showed a positive sign of recovery. Both ARPU and churn rate improved year on year in Q4 FY24. Moreover, 4G subscriber additions, a better subscriber mix, and investment plans in upcoming years are expected to aid its overall performance. Thus, we upgrade our rating on the stock to HOLD with a revised target price of Rs. 16.4 based on 14x FY26E EV/EBITDA.

Net loss widened further

Revenue in Q4FY24 rose 0.7% YoY to Rs. 10,607cr, on account of improving subscriber mix, coupled with 4G subscriber additions and changes in entry level plans. 4G subscriber base rose to 126.3mn (up 3.7mn YoY). Blended ARPU, thereby, rose to Rs. 146 (Rs. 135 a year ago). The company's overall subscriber base, however, shrank to 212.6mn (-5.8% YoY, -0.9% QoQ). EBITDA grew 3% YoY to Rs. 4,336cr, while EBITDA margin expanded 90bps YoY to 40.9%. The bottom line continued to remain impacted with net loss widening to Rs. 7,675cr, owing to higher interest expenses (+25.6% YoY) and lower other income.

Key concall highlights

- During the quarter, the company added 917 4G sites. Total broadband site count stood at ~430.7k. Till date, ~74,850 TDD sites have been deployed.
- Capex for the quarter stood at Rs. 550cr and for FY24 at Rs. 1,850cr.
- The company had a total debt of Rs. 4,040cr, and optionally convertible debentures of Rs. 160cr. Cash balance stood at Rs. 170cr as on 31 March 2024.
- The company intends to roll out 5G over the next six months and expects to cover 40% of its revenue base under 5G services in the next 24-36 months.

Vodafone Idea's fund raising on track

Priced at Rs. 10-11 a share, the company's follow-on public offer (FPO) of Rs. 18,000cr received positive response and was fully subscribed. It plans to spend Rs. 12,750cr of the net issue proceeds for network infrastructure expansion, by setting up new 4G and 5G sites and expanding the capacity of existing 4G sites. Further, on May 8, its shareholders approved equity infusion of Rs. 2,075cr on preferential basis, from one of the promoter entities, at an issue price of Rs. 14.87 per share.

Valuation

In Q4 FY24, the company's revenue was largely muted, and losses widened. However, it has displayed a sign of improvement with better ARPU and subscriber mix. Moreover, the company has paid its debt, improved 4G subscriber base (vs Q4 FY23), and has a better investment plan for expanding 4G subscriber base, which is expected drive its overall performance in the future. Therefore, we upgraded our rating on the stock to HOLD with a revised target price of Rs. 16.4, based on 14x FY26E EV/EBITDA.

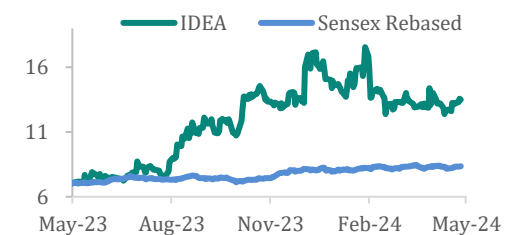
Company Data

Market Cap (cr)	Rs. 99,925
Enterprise Value (cr)	Rs. 309,611
Outstanding Shares (cr)	6,648.3
Free Float	29.0%
Dividend Yield	0.0%
52 week high	Rs. 18.4
52 week low	Rs. 7.0
6m average volume (cr)	53.3
Beta	1.7
Face value	Rs. 10

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	50.4	50.4	48.9
FII's	2.5	2.3	2.0
MFs/Insti	35.0	36.2	34.4
Public	11.6	10.7	14.0
Others	0.6	0.5	0.7
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-13.9%	13.2%	117.1%
Absolute Sensex	3.1%	14.3%	22.1%
Relative Return*	-17.0%	-1.1%	95.0%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	42,652	46,917	52,547
Growth (%)	1.1	10.0	12.0
EBITDA	17,126	19,795	22,341
EBITDA Margin (%)	40.2	42.2	42.5
Adj. PAT	(31,994)	(27,316)	(22,716)
Growth (%)	(9.3)	14.6	16.8
Adj. EPS	(6.6)	(5.5)	(4.5)
Growth (%)	22.1	17.0	16.8
P/E	n.m.	n.m.	n.m.
P/B	n.m.	n.m.	n.m.
EV/EBITDA	16.0	15.6	13.7
ROE (%)	30.0	20.8	14.7
D/E	(2.3)	(1.8)	(1.5)

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	10,607	10,532	0.7	10,673	(0.6)	42,652	42,177	1.1
EBITDA	4,336	4,210	3.0	4,350	(0.3)	17,126	16,817	1.8
EBITDA margins	40.9	40.0	90bps	40.8	10bps	40.2	39.9	30bps
Depreciation	5,751	5,704	0.8	5,598	2.7	22,634	23,050	(1.8)
EBIT	(1,416)	(1,493)	5.2	(1,248)	(13.4)	(5,508)	(6,233)	11.6
Interest	6,280	5,002	25.6	6,518	(3.6)	25,766	23,354	10.3
Other Income	33	94	(65.4)	25	30.5	113	311	(63.6)
Exceptional Items	-	(22)	n.m.	756	n.m.	756	(22)	n.m.
Share of profit from Associate	(3)	-	n.m.	(1)	(136.4)	(6)	1	n.m.
PBT	(7,666)	(6,424)	(19.3)	(6,987)	(9.7)	(30,410)	(29,298)	(3.8)
Tax	9	(5)	n.m.	(1)	n.m.	829	4	23,574.3
Reported PAT	(7,675)	(6,419)	(19.6)	(6,986)	(9.9)	(31,238)	(29,301)	(6.6)
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	(7,675)	(6,419)	(19.6)	(6,986)	(9.9)	(31,238)	(29,301)	(6.6)
Adjustments	-	22	n.m.	(756)	n.m.	(756)	22	n.m.
Adj. PAT	(7,675)	(6,397)	(20.0)	(7,741)	0.9	(31,994)	(29,279)	(9.3)
No. of shares	4,888.3	4,195.4	16.5	4,851.3	0.8	4,873.4	3,475.8	40.2
Adj. EPS (Rs.)	(1.6)	(1.5)	(3.0)	(1.6)	1.6	(6.6)	(8.4)	22.1

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	46,258	50,421	46,917	52,547	1.4	4.2
EBITDA	19,498	21,744	19,795	22,341	1.5	2.7
Margins (%)	42.1	43.1	42.2	42.5	10bps	(60bps)
Adj. PAT	(25,898)	(23,119)	(27,316)	(22,716)	(5.5)	1.7
Adj. EPS	(5.3)	(4.7)	(5.5)	(4.5)	(2.4)	4.6

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	38,516	42,177	42,652	46,917	52,547
% change	(8.2)	9.5	1.1	10.0	12.0
EBITDA	16,036	16,817	17,126	19,795	22,341
% change	(5.4)	4.9	1.8	15.6	12.9
Depreciation	23,584	23,050	22,634	22,634	19,733
EBIT	(7,548)	(6,233)	(5,508)	(2,839)	2,608
Interest	20,981	23,354	25,766	23,871	23,388
Other Income	295	289	863	118	129
PBT	(28,234)	(29,298)	(30,410)	(26,592)	(20,651)
% change	(36.2)	3.8	3.8	(12.6)	(22.3)
Tax	11	4	829	724	2,065
Tax Rate (%)	(0.0)	(0.0)	(2.7)	(2.7)	(10.0)
Reported PAT	(28,245)	(29,301)	(31,238)	(27,316)	(22,716)
PAT att. to common shareholders	(28,245)	(29,301)	(31,238)	(27,316)	(22,716)
Adj*	(164)	22	(756)	-	-
Adj PAT	(28,410)	(29,279)	(31,994)	(27,316)	(22,716)
% change	(17.1)	(3.1)	(9.3)	14.6	16.8
No. of shares (cr)	2873.4	3475.8	4873.4	5012.0	5012.0
Adj EPS (Rs.)	(9.9)	(8.4)	(6.6)	(5.5)	(4.5)
% change	(17.1)	14.8	22.1	17.0	16.8
DPS (Rs.)	-	-	-	-	-

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	(4,647)	(6,251)	(8,605)	(4,683)	(2,983)
Non-cash adj.	22,375	24,493	28,789	25,847	24,766
Changes in W.C	(341)	628	643	6,292	6,778
C.F. Operation	17,387	18,869	20,826	27,456	28,561
Capital exp.	(5,991)	(5,537)	(1,978)	(2,346)	(2,627)
Change in inv.	15	29	24	-	-
Other invest.CF	246	94	48	3,592	752
C.F - Investment	(5,730)	(5,414)	(1,907)	1,246	(1,875)
Issue of equity	4,500	432	0	-	-
Issue/repay debt	(8,114)	(5,114)	(7,399)	(4,641)	(3,342)
Dividends paid	-	-	-	-	-
Other finance.CF	(6,940)	(9,998)	(11,582)	(23,871)	(23,388)
C.F - Finance	(10,554)	(14,680)	(18,980)	(28,512)	(26,730)
Chg. in cash	1,103	(1,224)	(61)	191	(43)
Closing cash	3,497	855	536	727	684

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	3,497	855	536	727	684
Accounts Receivable	2,444	2,164	2,195	2,440	2,680
Inventories	2	16	1	6	6
Other Cur. Assets	10,893	10,867	10,178	9,173	8,270
Investments	5	6	0	0	0
Gross Fixed Assets	136,104	155,273	157,251	159,597	162,224
Net Fixed Assets	53,633	59,821	52,176	47,003	42,854
CWIP	324	300	639	607	577
Intangible Assets	103,226	114,010	105,499	90,416	77,490
Def. Tax (Net)	6	14	14	11	9
Other Assets	19,999	19,189	13,760	8,212	6,103
Total Assets	194,029	207,243	184,998	158,596	138,673
Current Liabilities	46,167	47,727	49,408	54,943	61,056
Provisions	38	24	21	23	25
Debt Funds	209,196	233,310	239,248	234,608	231,266
Other Liabilities	592	542	488	463	440
Equity Capital	32,119	48,680	50,120	50,120	50,120
Reserves & Surplus	(94,084)	(123,039)	(154,287)	(181,561)	(204,234)
Shareholder's Fund	(61,965)	(74,359)	(104,167)	(131,441)	(154,114)
Minority Interest	-	-	-	-	-
Total Liabilities	194,029	207,243	184,998	158,596	138,673
BVPS (Rs.)	(22)	(21)	(21)	(26)	(31)

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	41.6	39.9	40.2	42.2	42.5
EBIT margin (%)	(19.6)	(14.8)	(12.9)	(6.1)	5.0
Net profit mgn.(%)	(73.3)	(69.5)	(73.2)	(58.2)	(43.2)
ROE (%)	45.6	39.4	30.0	20.8	14.7
ROCE (%)	(5.1)	(3.9)	(4.1)	(2.8)	3.4
W.C & Liquidity					
Receivables (days)	23.2	18.7	18.8	19.0	18.6
Inventory (days)	0.0	0.3	0.0	0.1	0.1
Payables (days)	283.8	274.7	284.5	299.3	292.0
Current ratio (x)	0.3	0.2	0.2	0.2	0.2
Quick ratio (x)	0.1	0.1	0.1	0.1	0.1
Turnover & Leverage					
Gross asset T.O (x)	0.3	0.3	0.3	0.3	0.3
Total asset T.O (x)	0.2	0.2	0.2	0.3	0.4
Int. coverage ratio (x)	(0.4)	(0.3)	(0.2)	(0.1)	0.1
Adj. debt/equity (x)	(3.4)	(3.1)	(2.3)	(1.8)	(1.5)
Valuation					
EV/Sales (x)	6.1	6.0	6.4	6.6	5.8
EV/EBITDA (x)	14.6	15.0	16.0	15.6	13.7
P/E (x)	n.m.	n.m.	n.m.	n.m.	n.m.
P/BV (x)	n.m.	n.m.	n.m.	n.m.	n.m.

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
7-Jul-21	HOLD	10
20-Aug-21	HOLD	7
22-Nov-21	REDUCE	7
7-Feb-22	HOLD	12
25-May-22	SELL	7
21-Aug-23	REDUCE/SELL	7
1-Feb-24	REDUCE/SELL	13
27-May-24	HOLD	16

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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