



bharti

Sector: Telecomm-Service

Issue Opens - April 3, 2024 to April 5, 2024

Price Band
₹542 to ₹570

Face Value
₹5

Lot Size
26 Shares

Issue Size
₹4,275.00 C

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

75,000,000 shares/ ₹4,275.00 Cr

Fresh Issue

N/A

Offer for Sale

75,000,000 shares/ ₹4,275.00 Cr

Basis of Allotment

Monday, April 8, 2024

Initiation of Refunds

Wednesday, April 10, 2024

Credit of Shares to Demat

Wednesday, April 10, 2024

Bharti Hexacom Listing Day

Friday, April 12, 2024

Promoters

- Jagdish Saksena Deepak (: Chairperson and Non-Executive Director)
- Devendra Khanna (Non-executive Director)
- Soumen Ray (Non-Executive Director)
- Arvind Kohli (Independent Director)

Promoters collectively hold 70% (Pre Issue) of the Equity Share.

About The Company.



Bharti Hexacom, a leading telecom company in India, serves customers in Rajasthan and the North East. Renowned for its 'Airtel' brand, it provides high-speed mobile, broadband, and fixed-line services. Their strategy emphasizes attracting quality customers through digital offerings like 'Airtel Black' family plans, boosting revenue market share consistently for three years. With heavy investments in network expansion, boasting over 23,000 towers, Bharti Hexacom ensures a future-ready digital infrastructure. Leveraging the digital expertise of parent company Airtel, they cater to growing customer needs, connecting homes and businesses and driving a brighter digital future in the region.

Description of Their Business

The Company was originally incorporated in 1995 as 'Hexacom India Limited'. Consumer mobile services, fixed-line telephone, and broadband services are offered to customers in the Rajasthan and the North East telecommunication circles in India, which comprise the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura. their services are provided under the brand 'Airtel'. A distinct strategy to premiumize the portfolio is employed by them through the acquisition and retention of quality customers.

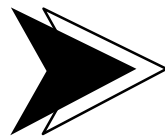
An omnichannel approach and the utilization of data science are used to deliver an experience to them. Digital offerings are available to enhance customer engagement and customized offerings are provided through family and converged plans under the Airtel Black proposition. Continuous improvement of revenue market share has been observed during the last three Fiscals.

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As of September 30, 2023, ₹ 203 billion had been invested in capital expenditure in future-ready digital infrastructure. Significant synergies are derived from the relationship with our Promoter, Airtel, through the expansive digital infrastructure, digital experience, and digital services it provides to its customers.

Set forth below is a map indicating their area of operations:



Objects of The Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. To carry out the Offer for Sale of up to 75,000,000 Equity Shares by the Selling Shareholder; and
2. Achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Track Record Of Financial Performance

Statement of Profit and Loss

(All amounts are in millions of Indian Rupee; except per share data)

	Notes	For the six months ended		For the year ended		
		September 30, 2023	September 30, 2022	March 31, 2023	March 31, 2022	March 31, 2021
Income						
Revenue from operations	21	34,202	31,670	65,790	54,052	46,023
Other income	21.1	1,377	557	1,402	688	1,020
		35,579	32,227	67,192	54,940	47,043
Expenses						
Network operating expenses	22	7,755	7,714	15,853	14,852	14,279
Access charges		3,497	4,718	9,833	11,331	13,454
License fee / Spectrum charges		3,137	3,350	6,329	5,718	4,379
Employee benefits expense	23	534	465	903	764	763
Sales and marketing expenses	24	1,884	1,399	3,067	1,993	1,410
Other expenses	25	836	1,099	1,938	1,244	1,214
		17,643	18,745	37,933	35,912	35,499
Re-stated Profit before depreciation, amortisation, finance costs, tax and exceptional items		17,936	13,482	29,259	19,028	11,544
Depreciation and amortisation expenses	26	8,465	7,625	15,533	14,410	12,852
Finance costs	27	3,099	3,248	6,388	5,718	5,166
Re-stated Profit / (Loss) before exceptional items and tax		6,372	2,609	7,338	(1,100)	(6,474)
Exceptional items (net)	28	3,030	-	-	(19,511)	3,417
Re-stated Profit / (Loss) before tax		3,342	2,609	7,338	18,411	(9,891)
Tax expense						
Current tax	9	3,864	-	-	(27)	-
Deferred tax	9	(1,213)	657	1,846	1,692	448
		2,651	657	1,846	1,665	448
Re-stated Profit / (Loss) for the period		691	1,952	5,492	16,746	(10,339)
Other comprehensive income:						
Items not to be reclassified to profit or loss:						
Re-measurement loss on defined benefit plans		(4)	(3)	(3)	(1)	(1)
Tax credit		1	1	1	0	0
Other comprehensive loss for the period		(3)	(2)	(2)	(1)	(1)
Total comprehensive income / (loss) for the period		688	1,950	5,490	16,745	(10,340)
Earnings / (Loss) per share (Face value : Rs. 5 each)						
Basic and diluted (loss) / earnings per share [^]	29	1.38	3.90	10.98	33.49	(20.69)

The following table sets forth certain key information of their Company for the periods indicated:

Particulars	Unit	As of and for the six months ended September 30,		As of and for the year ended March 31,		
		2023	2022	2023	2022	2021
Revenue from operations	₹ in million	34,202	31,670	65,790	54,052	46,023
<i>Revenue from mobile services</i>	₹ in million	33,233	30,962	64,247	52,976	45,300
<i>Revenue from mobile services as a percentage of revenue from operations</i>	%	97.17%	97.76%	97.65%	98.01%	98.43%
<i>Revenue from home and office services</i>	₹ in million	969	708	1,543	1,076	723
<i>Revenue from home and office services as a percentage of revenue from operations</i>	%	2.83%	2.24%	2.35%	1.99%	1.57%
Total income	₹ in million	35,579	32,227	67,192	54,940	47,043
EBITDA ¹	₹ in million	17,144	13,400	28,884	18,985	11,373
EBITDA Margin ¹	%	50.13%	42.31%	43.90%	35.12%	24.71%
Re-stated Profit/(Loss) for the period*	₹ in million	691	1,952	5,492	16,746	(10,339)
ARPU for mobile services ²	₹	209	197	203	168	146
ARPU for mobile services ³	₹	195	182	185	155	135
ARPU for fixed-line telephone and broadband services ³	₹	548	626	598	683	774
Customer base for mobile services ²	million	29.1	27.9	28.4	27.4	27.4
Customer base for fixed-line telephone and broadband services ²	million	0.2	0.2	0.2	0.1	0.1
Customer base for mobile services ⁴	000's	26,539	24,975	25,827	24,767	24,979
Customer base for fixed-line telephone and broadband services ⁴	000's	266	176	219	131	70
Return on capital employed ⁵	%	7.15%	4.50%	10.72%	4.10%	(1.58)%
Net Debt ⁶ to EBITDA ¹	number	4.5	6.9	2.8	4.7	6.8
Net worth ⁷	₹ in million	37,660	37,682	39,722	35,732	18,987



Strengths

1. Leadership has been established and a large customer base has been acquired.
2. Markets with high growth potential have been penetrated.
3. The brand has been established and strong parentage is present.
4. A future-ready network is being built.
5. Distribution and service network is extensive.
6. A management team with experience is in place.

Threats

1. They make money by offering mobile phone services in Rajasthan and the North East area. If anything bad happens there, it could hurt their business.
2. As of December 31, 2023, they had possible debts that they didn't include in their financial records. These debts could hurt their business, finances, and results.
3. If they make less money from their telecom services because of rules on prices or pressure to lower prices, it could hurt the business.
4. They need a lot of money to pay for their expenses. If they can't get more money, it could hurt the business, finances, and results.



Valuation and Outlook

The cost of the shares is expected to be between ₹542 to ₹570 per share, If we look at the valuation, Bharti Hexacom has a P/E ratio of 51.91x which is calculated using a price above ₹570 and an FY23 EPS of Rs 10.98 while the industry P/E is 40.27x.

Peers Analysis.

Name of the company	Type of the financials	Face value (₹. per share)	Closing price as on January 16, 2024 as per BSE data (₹)	Total Revenue (in ₹ million)	EPS (₹)		NAV (₹ per share)	P/E	RoNW (%)
					Basic	Diluted			
Company	Standalone	5	NA	65,790	10.98	10.98	84.19	NA	13.83
PEER GROUP									
Bharti Airtel Limited *	Consolidated	5	1,095.35 [#]	1,391,448	14.80	14.57	136.72	75.18	15.84
Vodafone Idea Limited	Consolidated	10	15.74	421,772	(8.43)	(8.43)	(15.28)	NA [^]	NA [°]

The company benefits from the strong parentage of the "Airtel" group. Net profit experienced a decline due to one-time accounting adjustments, but gross level growth was observed. Based on 9M-FY24 earnings, the issue seems to be fully priced. Leadership in the telecom circles where it operates is virtually assured, and maintaining this lead is expected. Funds may be considered for parking by investors seeking long-term rewards.

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