

FPO Note: Vodafone Idea Ltd.

Industry: Telecom

Date: April 15, 2024

Issue Snapshot		Issue Break up	
Company Name	Vodafone Idea Ltd.	QIB ex Anchor	20% 3,27,27,27,273
Issue Opens	April 18, 2024 to April 22, 2024	Anchor Investor	30% 4,90,90,90,909
Price Band	Rs. 10 to Rs. 11	HNI<Rs. 10 Lakhs	5% 81,81,81,818
Bid Lot	1298 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 1,63,63,63,636
The Offer	Public issue of 16,36,36,36,364 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue).	RII	35% 5,72,72,72,727
Issue Size	Rs. 18000.0 Crore	Total Public	100% 16,36,36,36,364
IPO Process	100% Book Building		
Face Value	Rs. 10.00	Equity Share Pre Issue (Nos. Cr.)	5,012.0
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	1,636.4
BRLM	SBI Capital Markets Ltd., Axis Capital Ltd., Jefferies India Pvt. Ltd.	Equity Share Post Issue (Nos. Cr.)	6,648.3
Registrar	Link Intime India Pvt. Ltd.	Equity Dilution	24.6%

Objects of the Offer

Fresh Issue

- Purchase of equipment for the expansion of the network infrastructure by: (a) setting up new 4G sites; (b) expanding the capacity of existing 4G Sites and new 4G sites; and (c) setting up new 5G sites (Rs. 12750 cr.);
- Payment of certain deferred payments for spectrum to the DoT and the GST thereon (Rs. 2175.3 cr.); and
- General corporate purposes.

Company Highlights

- Vi is the 3rd largest telecommunications service provider in India based on subscriber base. The company is the 6th largest cellular operator globally in terms of number of subscribers in a single country of operations.
- Vi through its pan India network, offers voice, data, enterprise and other value-added services, including short messaging services and digital services across 2G, 3G and 4G technologies. The company also offers connectivity services to enterprise customers. The company holds active licenses for national long distance ("NLD"), international long distance ("ILD") and internet service provider ("ISP"), and registration for infrastructure provider ("IP-1") services.
- Vi's applicable gross revenue ("ApGR") market share was 17.79% of the Indian mobile telecommunications services industry, while it had over 223.0 million subscribers and a subscriber market share of 19.3% for the quarter ended December 31, 2023. During the same period the company carried ~ 401 billion voice minutes and ~ 6,004 billion MB of data on its network.
- The company's promoters are part of the Aditya Birla group and the Vodafone group. The Aditya Birla group is one of the largest business groups in India and a leading global conglomerate. The Vodafone group is the largest pan-European and African telecommunications company.
- Vi has an aggregate of 8,005.2 MHz of spectrum holdings across different frequency bands as on December 31, 2023. Out of the 8,005.2 MHz spectrum, 7,975.2 MHz spectrum is liberalized and can be used towards deployment of any technology (2G, 3G, 4G or 5G). This includes the mid-band 5G spectrum (3300 MHz band) in 17 priority service areas and mmWave 5G spectrum (26 GHz band) in 16 service areas.
- The company had 183,400 unique tower locations and over 438,900 broadband (3G and 4G) sites, with all its 4G sites enabled for the provision of voice over LTE ("VoLTE") services. As of December 31, 2023, its population coverage exceeded 1.2 billion individuals, and its OFC spanned over 298,000 kilometres, combining both its own infrastructure and infeasible rights of use ("IRU") taken (excluding overlaps).

- Vi's mobile network reach is across 487,000+ towns and villages in India, with broadband services in 342,200+ towns and villages, each as of December 31, 2023. The company carries most of its domestic and international outbound traffic on its own network for optimal efficiency. Additionally, the company generates revenue by partnering with other telecommunication companies to carry incoming international traffic to India.
- All the company's services and products are offered under the "Vi" brand backed by strong brand recall of the Vodafone and Idea brands and cumulatively more than three decades of operations. The company's total income for the Financial Year 2023 and 9 months ended December 31, 2023 was Rs. 42,488.5 crore and Rs. 32,125.6 crore, respectively.

View

- Vi is the 3rd largest telecommunications service provider in India based on subscriber base. The company had over 223 million subscribers and its subscriber market share, was 19.3%, as on 31st December, 2023. The company's ApGR (applicable gross revenues) market share was 17.79% of the Indian mobile telecommunications services industry for the quarter ended December 31, 2023.
- In Kerala and Mumbai service areas, the company had leading applicable gross revenue market share, while it had the second largest market share in the Gujarat and Kolkata service areas. The company had a market share of over 20% in the Maharashtra, Delhi, Uttar Pradesh (West) and Haryana service areas, for the same period. The company uses artificial intelligence and data analytics to improve some of its services, including customer segmentation, targeted marketing, offering personalised recommendations, and location-based services, among others.
- Vi's large spectrum portfolio enables it to offer a superior experience to customers as the company has the highest 4G spectrum available per million subscribers and sufficient capability to support migration of its entire 4G subscriber base to 5G. Vi has a large spectrum portfolio with 8,005.2 MHz of spectrum holdings across different frequency bands of which 7,975.2 MHz spectrum is liberalized and can be used towards deployment of any technology (2G, 3G, 4G or 5G). This includes the mid band 5G spectrum (3300 MHz band) in 17 priority service areas and mm Wave 5G spectrum (26 GHz band) in 16 service areas.
- The company plans to enhance its competitiveness in the 17 key service areas. The company will also invest in the remaining 5 areas and has adopted a targeted approach to capital expenditure to drive growth. Further, the company plans to deploy small cells in high-traffic areas of major cities within these service areas, further enhancing user experience.
- The company is continually enhancing its network infrastructure to cater the growing demand for data connectivity and providing 5G technology to its customers and aims to cover 40% of its existing revenues in the 24 to 30 months post funding. The company currently leverages the latest 4G technology, which is upgradeable to 5G. Vi aims to further expand its LTE 900 and 2,100 MHz spectrum presence across 14 service areas through dynamic spectrum refarming and deployment of additional TDD and Massive MIMO sites.
- The company plans to expand its 4G network footprint in rural and semi-urban growth markets and enhance the average revenue per user ("ARPU") by providing an improved network experience in the existing markets. The company plans to enter into strategic collaborations to develop and implement new products and services, to further grow its market share. Moreover, currently 42% of the company's subscriber base is still non-4G, which presents an opportunity for migrating these customers to higher value plans.
- Vi is a well-established provider of enterprise solutions across diverse industry verticals through our "Vi Business" service. Some of the key initiatives for the company's transitioning from a telco to a tech-co are Protect and Grow Connectivity, Strengthening Market Leadership in IoT, Invest in Next-Generation Services and Segmented Go-To-Market Strategies
- Vi seeks to monetize digital opportunities by entering into strategic collaborations aimed at maximizing value for its customers. The strategy aims at leveraging the company's platform capabilities to deepen integration with partners, enabling differentiated experiences and creating monetization opportunities.
- In terms of the valuations, Vi is trading at TTM EV/EDITDA multiple of 15.6x and TTM Mcap/Sales multiple of 1.5x.

Operational Metrics

(In Rs. Cr)		Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Subscriber Base (EoP)	Million	228.6	225.9	221.4	219.8	215.2
Pre-paid Subs (% of EoP subscribers)	%	90.40%	90.10%	89.70%	89.50%	89.00%
Average Revenue per User (ARPU) Blended	₹	135.1	135.3	139	142	145
Average Minutes of Use per User	Minutes	612.7	622.7	627	613	614
Blended Churn	%	4.40%	3.80%	3.90%	4.10%	4.30%
Total Minutes of Use	Billion	424	424.9	420	406	401
Total Data Subscribers (2G + 3G +4G) (3)	Million	135.3	136.2	135.9	137.2	137.4
4G Subscribers	Million	121.6	122.6	122.9	124.7	125.6
Total Data Volume (2G + 3G +4G)	Billion MB	5,762	5,802	6,002	6,119	6,004
Average Data Usage by 4G Subscriber	MB	15,437	15,453	16,041	16,186	15,738

KPIs with Industry Peers

	Vodafone Idea	Bharti Airtel	Reliance Jio
Subscriber Market Share	18.8%	36.0%	40.5%
Revenue Market Share	17.3%	37.1%	39.0%
Average Revenue Per User (ARPU) (Rs.)	145	208	182
Customer base for mobile services (in mn)	215.2	345.6	470.9

Financial Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Share Capital	28735.4	32118.8	48679.7	32118.8	48679.7
Net Worth	(38228.0)	(61964.8)	(74359.1)	(84709.6)	(97931.9)
Long Term Borrowings	157415.5	175950.8	189290.1	198849.9	195276.2
Other Long Term Liabilities	17890.6	18909.2	32289.0	37079.1	36201.5
Short-term borrowings	22894.8	14966.9	12295.9	12280.9	8149.5
Other Current Liabilities	43507.7	46167.0	47726.8	50377.6	49106.5
Fixed Assets	168096.3	157182.9	174131.6	179691.8	162555.6
Non Current Assets	189381.1	20010.7	19208.2	19532.5	14716.3
Current Assets	14034.2	16835.5	13853.6	14653.6	13480.6
Total Assets	203480.6	194029.1	207242.7	213877.9	190801.8
Revenue from Operations	41952.2	38515.5	42177.2	31645.3	32044.9
Revenue Growth (%)		(8.2)	9.5		1.3
EBITDA	16945.7	16036.1	16817.0	12606.7	12790.2
EBITDA Margin (%)	40.4	41.6	39.9	39.8	39.9
Net Profit	(44233.1)	(28245.4)	(29301.1)	(23187.0)	(23563.8)
Earnings Per Share (Rs.)	(15.4)	(9.8)	(8.4)	(7.2)	(4.8)
Net Asset Value per Share (Rs.)	(13.3)	(21.6)	(21.4)	(26.2)	(20.1)

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Cash flow from Operations Activities	15639.7	17387.0	18868.7	14660.9	15883.8
Cash flow from Investing Activities	1075.1	(5730.3)	(5413.6)	(4822.8)	(1691.9)
Cash flow from Financing Activities	(16731.4)	(10553.8)	(14679.5)	(11137.5)	(14101.8)
Net increase/(decrease) in cash and cash equivalents	(16.6)	1102.9	(1224.4)	(1299.4)	90.1
Cash and cash equivalents at the beginning of the year	366.9	350.3	1453.2	1453.2	228.8
Cash and cash equivalents at the end of the year	350.3	1453.2	228.8	153.8	318.9

Source: RHP

Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Vodafone Idea Ltd.	42177.2	40.6	-2.7	-4.6	0.0	0.0	-0.7	15.6	1.5	64841.5
Bharti Airtel Ltd.	139144.8	51.9	2.1	16.2	17.1	88.2	9.1	11.2	5.0	740622.0
Bharti Hexacom Ltd.	6579.0	44.5	1.5	12.9	14.0	74.1	4.8	16.0	6.2	40687.5

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