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#### About Company

Incorporated in March 1995, Vodafone Idea Limited is a telecommunications service provider in India. The company provides voice, data, and value-added services across 2G, 3G, and 4G technologies, such as short messaging and digital services for enterprises and consumers. As of December 31, 2023, the company had over 223.0 million subscribers and a subscriber market share of 19.3%. Its network carried 401 billion voice minutes and 6,004 billion MB of data. As of Dec 31, 2023, Vodafone offers mobile and fixed services to 300M+ customers in 17 countries and has IoT collaborations with networks in 45 other countries. Internet of Things (IoT) platforms in the world. The company operates under a strong brand with over three decades of experience from Vodafone and Idea. Total income for FY2023 was ₹424,885 million, with ₹321,256 million for the nine months ended December 31, 2023. As of December 31, 2023, the company operates around 183,400 tower locations in India, providing broadband services to over 438,900 units, covering more than a billion people.

#### Issue details

Price Band (in ₹ per share)	10-11
Issue size (in ₹ Crore)	18000.00
Fresh Issue (in ₹ Crore)	18000.00
OFS (in ₹ Crore)	NA
Issue open date	18.04.2024
Issue close date	22.04.2024
Tentative date of Allotment	23.04.2024
Tentative date of Listing	25.04.2024
Total number of shares (lakhs)	180000.00-163636.36
No. of shares for QIBs (50%) (lakhs)	90000.00-81818.18
No. of shares for NII (15%) (lakhs)	63000.00-57272.73
No. of shares for S-HNI (33%)(lakhs)	20790.00-18900.00
No. of shares for B-HNI (66%)(lakhs)	42210.00-38372.73
No. of shares for retail investors (35%) (lakhs)	27000.00-24545.45
Employee Reservation (lakhs)	NA
Minimum order quantity	1298
Face value (in ₹)	10.00
Amount for retail investors (1 lot)	12980-14278
Maximum number of shares for Retail investors at lower band	19470 (15 lots)
Maximum number of shares for Retail investors at upper band	18172 (14 lots)
Maximum amount for retail investors at lower band - upper band	194700-199892
Minimum number of shares for sHNI (2 Lakhs) at upper band	19470 (15 lots)
Maximum number of shares for sHNI (10 Lakhs) at upper band	90860 (70 lots)
Minimum number of shares for bHNI at upper band	92158 (71 lots)
Exchanges to be listed on	BSE, NSE

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#### Promoters

The Promoters of the company are Kumar Mangalam Birla, Hindalco Industries Limited, Grasim Industries Limited, Birla TMT Holdings Private Limited, Vodafone International Holdings B.V., etc.

#### Objective of the Offer

- 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 up to Rs.12750.0
- Payment of certain deferred payments for spectrum to the DoT and the GST and for General corporate purposes up to Rs. 2175.31

**Brief Financials**

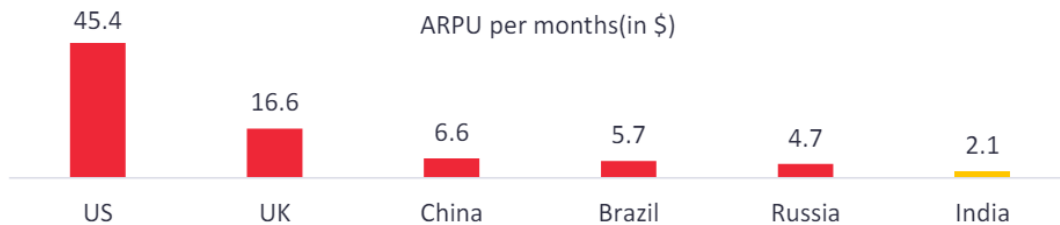
PARTICULARS (Rs. Cr)*	9MFY24	FY23	FY22	FY21
Share Capital	48679.70	48679.70	32118.80	28735.40
Net Worth	(97931.9)	(74359.10)	(61964.80)	(38228.00)
Total Income	32044.90	42177.20	38515.50	41952.20
EBITDA	12790.20	16817.00	16036.10	16945.70
EBITDA margin (%)	39.91	39.87	41.64	40.39
Profit/(Loss) After Tax	(23563.80)	(29301.10)	(28245.40)	(44233.10)
EPS (in Rs)	(4.84)	(8.43)	(9.83)	(15.40)
Net Asset Value (Rs)	(20.12)	(21.40)	(21.56)	(13.30)
Total Borrowing	203425.70	201586.00	190917.70	180310.30
P/E#	NA	NA	NA	NA
P/B#	NA	NA	NA	NA

Source: RHP #calculated at upper price band \* Restated consolidated financials

**Industry Review****Growth Potential in the Indian Telcom Sector**

As per the TRAI Performance Indicator Report, between September 2016 and September 2023, the blended mobile average revenue per user ("ARPU") per month increased 1.24 times from ₹120.98 to ₹149.66. During the same period, the average wireless data per data subscriber per month increased 82.82 times and voice minutes of usage per subscriber per month increased 2.59 times. The marginal increase in tariffs was the outcome of a combination of factors including, rising competitive intensity, and an increase in the proportion of pre-paid and rural subscribers. Indian ARPU is among the lowest in the world indicating higher scope for ARPU improvement to generate reasonable return on investment. The tables below set out details of the ARPU per month (in US dollars) and data traffic per mobile connection (in GB), for other leading world economies, for the quarter that ended December 31, 2023, as per the GSMA Intelligence Dashboard.

ARPU (\$ per month) | Source: GSMA Intelligence Dashboard

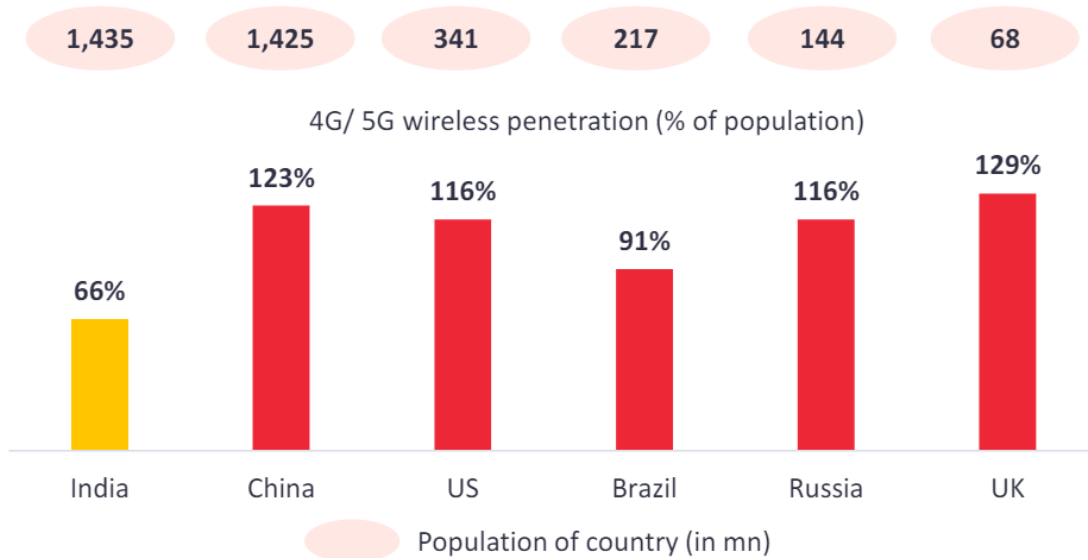


- Data consumption increased from ~0.12 GB/ month in September 2015 to ~19.12 GB/ month in September 2023; however, ARPU only increased from ₹122 to ₹150.
- Significant headroom in ARPU as usage has increased significantly but ARPU has not increased in line with usage and customer ability to pay higher is already established.
- Since 2015 (before Jio's entry in 2016), India's per capita GDP (₹) has doubled; however, ARPUs have grown only by ~23%. Tariffs in India are lower than major countries in the world with the last increase in tariffs in November 2021.
- Prices need further increase to generate reasonable returns and support future investments.
- As per the Household Consumption Expenditure Survey by the Ministry of Statistics and Program Implementation (National Sample Survey Office), non-food per capita consumption expenditure for Urban India has increased at 9.1% p.a. CAGR from 2012 to 2023 and 10.5% p.a. CAGR for Rural India. However, ARPU has only grown by 4.2% p.a. CAGR for the same period.

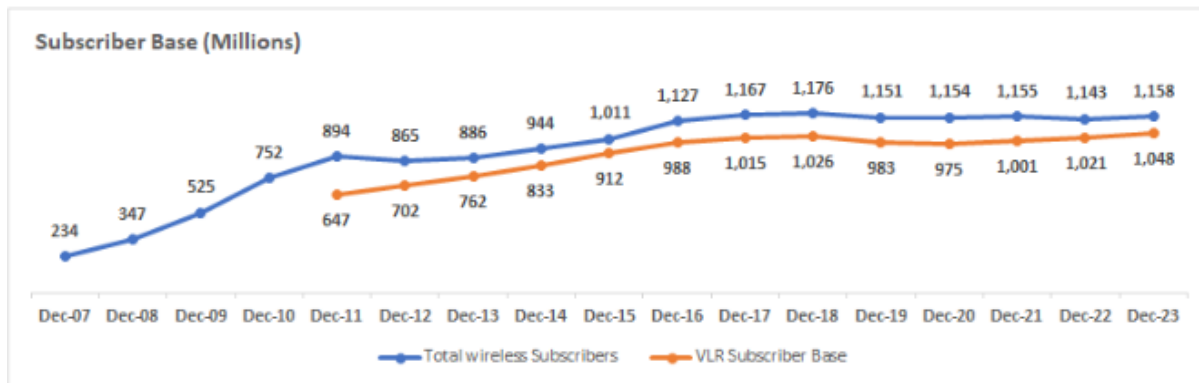


**Industry Review**

4G/5G wireless penetration and population (% of population – December 2023) | Source: GSMA Intelligence database:



**Subscriber Growth**



**Internet Subscribers**

Total internet subscribers have increased from 687.6 million in September 2019 to 918.2 million in September 2023. Broadband subscribers have increased from 624.9 million to 885.0 million. Total internet subscribers per 100 population have increased from 52.08 in September 2019 to 65.89 in September 2023. An increase in internet subscribers and internet penetration can be attributed to reduced tariffs and the availability of affordable smartphones.

**Revenue Market Share (Gross Revenue)**

Operator	Q4 FY2021	Q4 FY2022	Q4 FY2023	Q1 FY24	Q2 FY24	Q3 FY24
Vodafone Idea	21.5%	18.9%	17.1%	18.4%	17.7%	17.3%
Bharti Airtel	35.0%	35.4%	34.6%	36.4%	36.6%	37.1%
Reliance Jio	35.9%	36.6%	36.0%	39.1%	39.1%	39.0%
Others*	7.6%	9.1%	12.3%	6.1%	6.6%	6.6%

\* Others includes operators such as BSNL, MTNL, Reliance Communications, Tata, and Videocon, among others (Source: TRAI)



## Competitive Strengths

### Large Subscriber Base

They are the third largest telecommunications service provider in India based on subscriber base (Source: TRAI Subscription Report). As of December 31, 2023, they had over 223.0 million subscribers and their subscriber market share was 19.3% (Source: TRAI Subscription Report dated December 31, 2023). Their ApGR market share was 17.79% of the Indian mobile telecommunications services industry for the quarter ended December 31, 2023 (Source: TRAI Financial Data for the quarter ended December 31, 2023). During the quarter that ended December 31, 2023, they had a leading applicable gross revenue market share in the Kerala and Mumbai service areas, and the second largest market share in the Gujarat and Kolkata service areas. For the same period, their market share was over 20% in the Maharashtra, Delhi, Uttar Pradesh (West) and Haryana service areas.

### Extensive Telecommunication Network

They have 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 the mmWave 5G spectrum (26 GHz band) in 16 service areas. Their large spectrum portfolio enables them to offer a superior experience to their customers as they have the highest 4G spectrum available per million subscribers and sufficient capability to support the migration of their entire 4G subscriber base to 5G. The emergence of 5G technology, further enables them to strengthen their enterprise offerings and provide new opportunities for business growth.

### Existing Network Built on 5G-Ready Architecture

Their 4G network has been strategically deployed with a future-proof architecture, and all their new basebands and over 90% of their time division duplex ("TDD") 2500 MHz band radio units are 5G-ready with 10G bandwidth capability. They have also deployed various advanced 5G technologies including massive multiple-input multiple-output ("Massive MIMO") for improved capacity, and open radio access network ("ORAN") for increased flexibility. As of December 31, 2023, they deployed 74,800 TDD radios, 13,900 Massive MIMO sites, and 13,000 small cells. Moreover, they have completed the minimum rollout obligations in four service areas of Maharashtra, Delhi, Tamil Nadu, and Punjab, by collaborating with original equipment manufacturers ("OEMs").

### Extensive Distribution and Service Network

They have an extensive distribution and service network which, as of December 31, 2023, comprised over 10,000 distributors servicing approximately 787,000 retailers across India. To provide an enhanced brand experience and end-to-end services, they own and operate retail stores typically in the form of large format stores located in Tier 1 cities in India. They also have stores owned and operated by franchisees in other urban towns. For their rural customers, they operate smaller stores owned and operated by their distributors.

### Large Enterprise Customer Base with Longstanding Relationships

They offer a diversified portfolio of business services to their enterprise clients which include global enterprises, corporates, SMEs, government organizations, small-offices and home-offices, and start ups. They have a dedicated team of account and service managers to address the enterprise mobility, fixed line, IoT, cloud and converged communications requirements of their enterprise customers. According to the Frost & Sullivan 'Enterprise Mobile Services Quarterly Tracker' Report, September 2023 ("F&S September 2023 Report"), the enterprise mobility market share of their Company was 29.9% for the six months ended September 30, 2023. During this period, the IoT services revenue market share of their Company was 30.3%.



## Risk Factors

### **Risk of change in customer preference and technology:**

Suppose they do not continue to provide telecommunications or related services that are technologically up to date or keep up with changing consumer preferences. In that case, they may not remain competitive, and their business, prospects, results of operations and cash flows may be adversely affected.

The telecommunications industry is characterized by technological changes, including an increasing pace of change in existing mobile systems, industry standards, customer demand and behaviour and ongoing improvements in the capacity and quality of network. As new technologies develop, their equipment and networks may need to be replaced or upgraded, or their networks may need to be rebuilt in whole or in part in order to sustain their competitive position in the Indian mobile telecommunications industry. As a result, they may require substantial capital expenditure and access to related technologies in order to integrate new technologies with their existing technologies and networks and phase out outdated and unprofitable technologies and networks.

### **Risk of Capital intensive business:**

They require significant capital to fund their capital expenditure and working capital requirements and if they are unable to raise additional capital, their business, results of operations, financial condition and cash flows could be adversely affected.

They operate in a capital-intensive industry with relatively long gestation periods. Their funding requirements are primarily towards purchase of certain equipment for the expansion of their network infrastructure by setting up new 4G sites, expanding the capacity of existing 4G sites and new 4G sites, and setting up new 5G sites. However, the actual amount and timing of their future capital requirements may differ from their estimates as a result of, among other things, unforeseen delays or cost overruns, future cash flows being less than anticipated, price increases, unanticipated expenses, imposition of taxes, regulatory and technological changes, limitations on spectrum availability, market developments and new opportunities in the industry.

### **Risk of regulatory changes:**

Their telecommunication licenses and spectrum allocations are subject to the terms and conditions contained in the licenses, ongoing review and other approvals by the relevant authorities. They are also subject to conditions such as maintenance of prescribed standards and inspections and may require them to submit periodic compliance reports and incur substantial expenditure. They cannot assure you that their licenses and spectrum will be renewed on satisfactory terms, or at all. Their licenses and spectrum allocations are subject to varying interpretations and the licensor reserves the unilateral right to amend the terms and conditions of their telecommunication licenses as also the conditions relating to their participation in subsequent spectrum auctions. In the event the licensor exercises or alters any such right or condition relating to participation in subsequent spectrum auction, their business, prospects, results of operations and financial condition may be adversely affected.

### **Risk of competition:**

Competition may affect their ability to competitively bid for spectrum that the Government intends to auction, may result in decline in their subscriber base, cause a decrease in realization rates and their average revenue per user ("ARPU"), an increase in subscriber churn and an increase in selling and promotional expenses, all of which could hurt their business and results of operations. Competition in the Indian telecommunications industry is intense and their primary competitors are other telecommunication companies such as Bharti Airtel Limited, Reliance Jio Infocomm Limited, Bharat Sanchar Nigam Limited, and Mahanagar Telephone Nigam Limited. They may also face increased competition from new entrants in the telecommunications industry in India, or if any of their competitors begin to engage in infrastructure or spectrum sharing, or other similar arrangements.

**Peer Comparison**

Name of the company	Revenue from Operations (in Rs Cr)	Face Value (Rs per share)	EPS (in Rs)	NAV(Per share Rs)	RoNW (%)	ARPU for mobile services (in Rs.) <sup>#</sup>	Customer base for mobile services <sup>#</sup>	P/E*	P/B*
Vodafone Idea Limited	42177.20	10.00	(8.43)	(15.28)	NA	135	22.59	NA	NA
Bharti Airtel Limited	139144.80	5.00	14.80	136.72	15.84	193	33.54	82.70	8.95
Bharti Hexa-comm Limited	6579.00	5.00	10.98	84.19	13.83	185	2.58	77.88	10.16
Reliance Jio Infocomm Limited	90786.00	10.00	4.05	48.00	8.43	179	43.93	NA	NA

\*P/E & P/B ratio based on closing market price as of April 15th, 2024, at the upper price band of IPO, financial details consolidated audited results as of FY23

<sup>#</sup>ARPU (Average Revenue Per User) and customer base of peer companies for mobile services is for exit quarters of the respective periods as appearing in their quarterly IR Pack / report.

**Our View**

Vi ranks as the third-largest telecommunications service provider in India based on its subscriber base. The company is currently raising funds to establish new 4G sites and expand its existing 4G infrastructure, as a considerable portion of its customer base, approximately 40%, still relies on non-4G services. This presents Vi with a valuable opportunity to capitalize on this segment and enhance its Average Revenue Per User (ARPU). Additionally, Vi is diversifying into the technology sector, offering mobility services such as vehicle tracking and IoT solutions.

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The competitive landscape poses a potential threat to Vi's market share and penetration in the future. From a valuation perspective, Vi's EV/EBITDA ratio for FY2023 stands at 18x, above the industry average of approximately 15-16x for the same period. Therefore, we recommend Vi for long term considering their capacity expansion strategy which gives potential for ARPU expansion.



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