



**FPO Report**

16<sup>TH</sup> April '24

**Snapshot**

Vodafone Idea is the third largest telecommunications service provider in India based on subscriber base. According to the GSMA Intelligence Database, company is the sixth largest cellular operator globally in terms of number of subscribers in a single country of operations. Through company's pan India network, company offer voice, data, enterprise and other valueadded services ("VAS"), including short messaging services and digital services across 2G, 3G and 4G technologies. Company also offer connectivity services to enterprise customers. Company hold active licenses for national long distance ("NLD"), international long distance ("ILD") and internet service provider ("ISP"), and registration for infrastructure provider ("IP-1") services. Company carry inter-service area voice traffic and incoming and outgoing international voice traffic on its network, which is facilitated through interconnections with company's active licenses.

**VALUATION**

Company is bringing the issue at price band of Rs 10-11 per share.

Company has large subscriber base with extensive telecommunication network & existing network built on 5G-ready architecture. Also, company has large enterprise customer base with longstanding relationships & extensive distribution and service network.

Hence, looking after all above we recommend "Long term Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>10-11</b>
<b>Opening date of the issue</b>	<b>18<sup>th</sup> April '2024</b>
<b>Closing Date of the issue</b>	<b>22<sup>nd</sup> April '2024</b>
<b>No of shares pre issue</b>	50,11,98,20,375 Eq Shares
<b>Issue Size</b>	Rs 18000 Cr
<b>Offer For Sale</b>	Rs 18000 Cr
<b>Offer For Sale</b>	1800-1636 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	1298

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 8,18,18,18,182 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 2,45,45,45,464 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 5,72,72,72,727 Eq Shares)
<b>Lead managers</b>	Axis Capital Ltd, Jefferies India Pvt Ltd, SBI Capital Markets Ltd
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd

**WHAT WE LIKE**

**Large Subscriber Base**

Company is the third largest telecommunications service provider in India based on subscriber base. As of December 31, 2023, company had over 223.0 million subscribers and its subscriber market share was 19.3%. Company's ApGR market share was 17.79% of the Indian mobile telecommunications services industry for the quarter ended December 31, 2023

**Extensive Telecommunication Network**

Company 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 mmWave 5G spectrum (26 GHz band) in 16 service areas.

**Large Enterprise Customer Base with Longstanding Relationships**

Company offer a diversified portfolio of business services to its enterprise clients which include global enterprises, corporates, SMEs, government organizations, small-offices and home-offices, and start ups. Company have a dedicated team of account and service managers to address the enterprise mobility, fixed line, IoT, cloud and converged communications requirements of its 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 Company was 29.9% for the six months ended September 30, 2023. During this period, the IoT services revenue market share of Company was 30.3%.



## COMPANY BACKGROUND

For the quarter ended December 31, 2023, company's applicable gross revenue ("ApGR") market share was 17.79% of the Indian mobile telecommunications services industry (as derived from TRAI Financial Data for the quarter ended December 31, 2023). As of December 31, 2023, company had over 223.0 million subscribers and a subscriber market share of 19.3% (Source: TRAI Subscription Report dated December 31, 2023). Furthermore, for the quarter ended December 31, 2023, company carried approximately 401 billion voice minutes and approximately 6,004 billion MB of data on company's network.

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. As of March 31, 2023, the Aditya Birla group had a presence in 40 countries across diverse sectors such as cement, metals and mining, mobile telecommunications, fashion retail, financial services, textiles, carbon black, trading, chemicals, renewables, paints, real estate and jewellery retail. During Financial Year 2023, Aditya Birla group's overseas revenues were also derived from operations in North and South America, Europe and Asia (excluding India). The Vodafone group is the largest pan-European and African telecommunications company. As of December 31, 2023, the Vodafone group provides mobile and fixed services to over 300 million customers in 17 countries and has collaborations with mobile networks in 45 other countries. The Vodafone group also has one of the world's largest Internet of Things ("IoT") platforms.

As of December 31, 2023, company have an aggregate of 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 mmWave 5G spectrum (26 GHz band) in 16 service areas. As of December 31, 2023, company had approximately 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, company's population coverage exceeded 1.2 billion individuals, and company's OFC spanned over 298,000 kilometres, combining both its own infrastructure and indefeasible rights of use ("IRU") taken (excluding overlaps). Company's mobile network also reaches a vast number of communities across more than 487,000 towns and villages in India, with broadband services in more than 342,200 towns and villages, each as of December 31, 2023. Through company's robust infrastructure, company carry most of its domestic and international outbound traffic on its own network for optimal efficiency. Additionally, company generate revenue by partnering with other telecommunication companies to carry incoming international traffic to India. All its services and products are offered under the brand backed by strong brand recall of the Vodafone and Idea brands and cumulatively more than three decades of operations. Company's total income for the Financial Year 2023 and nine months ended December 31, 2023 was ₹424,885 million and ₹321,256 million, respectively



**INVESTMENT RATIONALE**

<p><i>Existing Network Built on 5G-Ready Architecture</i></p>	<p>Company’s 4G network has been strategically deployed with a future-proof architecture, and all its new basebands and over 90% of its time division duplex (“TDD”) 2500 MHz band radio units are 5G-ready with 10G bandwidth capability. Company 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, company deployed 74,800 TDD radios, 13,900 Massive MIMO sites, and 13,000 small cells. Moreover, company have completed the minimum rollout obligations in four service areas of Maharashtra, Delhi, Tamil Nadu, and Punjab, by collaborating with original equipment manufacturers (“OEMs”). Company’s network also includes new unified roadmap architectures of virtualized radio access network (“vRAN”) and ORAN solutions. Company also actively promote E-band technology as a viable alternative. Company’s pan-India core network is also fully equipped to support 5G non-standalone (NSA) technology. This advanced network architecture is designed to handle the high throughput and diverse use cases associated with 5G, encompassing both mobile and enterprise segments. Company’s 5G-ready architecture enables latency reduction and helps it deliver an enhanced customer experience.</p>
<p><i>Trusted Brand with Strong Proposition</i></p>	<p>The “Vi” brand has completed over three years and in this short period, has achieved recognition and recall within the Indian telecommunications market. Through company’s brand campaigns such as ‘Vi - Be Someone’s We’, company communicate the impact of connectivity. Further, company offer customers the autonomy to select and customize benefits tailored to their preferences. Company have also undertaken initiatives to create a strong brand proposition in the minds of customers. This includes company’s initiatives to attract a greater proportion of higher ARPU subscribers, with initiatives to facilitate the migration of its subscribers from 2G to 4G services.</p>
<p><i>Strong Promoter Support</i></p>	<p>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. As of March 31, 2024, the Aditya Birla group had a presence in 40 countries across diverse sectors such as cement, metals and mining, mobile telecommunications, fashion retail, financial services, textiles, carbon black, trading, chemicals, renewables, paints, real estate and jewellery retail. During Financial Year 2023, the Aditya Birla group’s overseas revenues were also derived from operations in North and South America, Europe and Asia (excluding India). The Vodafone group is the largest pan-European and African telecommunications company. As of December 31, 2023, the Vodafone group provides mobile and fixed services to over 300 million customers in 17 countries and has collaborations with mobile networks in 45 other countries. Following the Merger, company have received ₹179.2 billion from its Promoter Group in 2019 pursuant to a rights issue, and most recently, company’s Promoter Group invested ₹49.35 billion in Company in between March 2022 and July 2022. Further, one of company’s Promoter Group entities has committed to provide funding to the Company to the extent of ₹20.75 billion.</p>



## OBJECTS OF OFFER

Company proposes to utilise the Net Proceeds towards funding of the following objects: 1. Purchase of equipment for the expansion of company's 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; 2. Payment of certain deferred payments for spectrum to the DoT and the GST thereon; and 3. General corporate purposes.

## RISKS

The audit and review reports of the statutory auditors of Company contain a paragraph on material uncertainty relating to going concern. There can be no assurance that any similar observations or remarks will not form part of the financial statements of Company, or that such remarks will not affect company's financial condition.

Source:RHP

## INDUSTRY OVERVIEW

### *Telecom sector has high entry barriers*

The telecom sector is highly regulated and capital intensive with a consolidated market deterring the entry of new operators.

- A spectrum auction is conducted for each of the 22 Service Areas and spectrum is required for each Service Area. Further, operators are required to acquire a unified license for access services in each Service Area before being eligible to participate in the auction process.
- Telecom operators require substantial capital to purchase spectrum through government auctions and establish and maintain their network infrastructure. Further, the telecom industry remains susceptible to rapid technological changes, necessitating fresh investments or significant overhaul of existing networks.
- India's geographical terrain makes the process of infrastructure set up extremely complex and expensive, with new operators facing several challenges in matching the coverage of established companies.
- The top three operators, i.e., Reliance Jio, Airtel and Vodafone Idea, accounted for approximately 91.9% of total wireless customers as of December 31, 2023 and approximately 93.6% of the industry's gross revenue for nine months ended December 31, 2024. For a new entrant, competing against these established operators is exceedingly challenging, given their extensive coverage, robust infrastructure, comprehensive spectrum portfolios, and understanding of the Indian telecom customer landscape.

### **Key Policy Changes**

*DoT guidelines for transfer or merger of various categories of telecommunication service licenses or authorization under unified license or compromises, arrangements and amalgamation of the companies.*

On February 20, 2014, the DoT announced guidelines for the transfer and merger of various categories of telecommunication service licenses, which have been amended from time to time. The underlying principle for the guidelines was the National Telecom Policy, 2012, which had proposed a simplified merger and acquisition regime in the sector while ensuring adequate competition. The key features of these guidelines (as amended from time to time) have been set out below:

- Transfer and merger of licenses will be allowed where market share for access services in respective service area of the resultant entity is up to 50%. Market share will be determined on subscriber base (including wireline subscribers according to the exchange data records ("EDR") and wireless subscribers according to the VLR data or its equivalent) and adjusted gross revenue ("AGR"). If the market share of resultant entity exceeds 50% in any Service Area, it would need to be reduced to 50% within a period of one year from the date of approval of the transfer or the merger.
- The period of validity of licenses will be equal to the longer of the license periods of the merging entities subject to pro-rata payments, if any, for the extended period of license. However, the validity period of the spectrum will remain unchanged.
- Total spectrum held by the resultant entity will not exceed 35% of the total spectrum assigned for access services, by way of auction or otherwise, in the concerned service area and as set out below:
  - o the combined spectrum holding in the sub-1 GHz bands (700 MHz, 800 MHz and 900 MHz bands) by the resultant entity shall not exceed 50% of the total spectrum assigned in the sub-1 GHz bands, by way of auction or otherwise, in the concerned service area;
  - o resultant entity shall be allowed to hold two blocks of 3G spectrum (2100 MHz) as a result of compromise, merger, amalgamation or transfer; and
  - o excess spectrum beyond the prescribed limits will have to be surrendered or traded within one year of the approval of the transfer or the merger. The applicable 'spectrum usage charges' on the total spectrum holding of the resultant entity shall be levied for such period. No refund or set-off of money paid or payable for such excess spectrum will be made.
- If a transferor (the acquired) company holds part of a spectrum, which has been assigned against the entry fee paid, the transferee (the acquiring) company, will be required to pay the differential between the entry fee and the determined market price of the spectrum on a pro-rata basis for the remaining period of validity of such license to the Government at the time of the transfer or the merger and subject to the following conditions:
  - o no separate charge will be required to be paid for spectrum acquired through auctions conducted from 2010 onwards;
  - o in the event of judicial intervention in respect of demands raised before the transfer or the merger for one time spectrum charges (for spectrum held beyond 4.4 MHz (GSM) or 2.5 MHz (CDMA)), a bank guarantee for an amount equal to the demand raised by the department for one time spectrum charge, shall be submitted.



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	9months ended FY24
Total Revenue (A)	419522	385155	421772	320449
Total Expenditure (B)	25065	224794	253602	192547
EBIDTA	169457.00	160361.00	168170.00	127902.00
EBIDTA Margin	40.39	41.64	39.87	39.91
Other Income	1742.00	1294.00	3113.00	807.00
Depreciation	236385.00	235843.00	230497.00	168822.00
EBIT	-65186.00	-74188.00	-59214.00	-40113.00
Interest	179981.00	209808.00	233543.00	194852.00
PBT	-245167.00	-283996.00	-292757.00	-234965.00
Share of Profit in Associate	2314.00	12.00	5.00	-29.00
PBT	-242853.00	-283984.00	-292752.00	-234994.00
Exceptional	-199681.00	1643.00	-224.00	7555.00
PBT	-442534.00	-282341.00	-292976.00	-227439.00
Tax	-203.00	113.00	35.00	8199.00
PAT	-442331.00	-282454.00	-293011.00	-235638.00
NPM	-22.46	30.98	8.35	5.40
ROE%	--	--	--	--
EPS	-15.40	-9.83	-8.43	-4.84
Eq Cap	2,87,354.00	3,21,188.00	4,86,797.00	4,86,797.00
Net Worth	-3,82,280.00	-6,19,648.00	-7,43,591.00	-9,79,319.00

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Vodafone Idea Limited</i>	NA	421772	-8.43	-15.28	NA
<b>Peers</b>					
Bharti Airtel Limited	84.37	1391448	14.57	136.72	15.84
Bharti hexacom	51.91	65790	10.98	84.19	13.83
Reliance Jio Infocomm Limited*	NA	907860	4.05	48.00	8.43

(Source: RHP)



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