

Vodafone Idea Ltd

Connecting India with extensive network coverage, innovative services, and trusted brand reliability.



Not Rated

Connecting India with extensive network coverage, innovative services, and trusted brand reliability.

Vi's INR 180 billion FPO is poised to address two critical objectives: 1) bridging the network coverage gap, and 2) enhancing competitiveness to some extent. Furthermore, a notable reduction in Vi's bank debt is anticipated to pave the way for securing additional funding from banks. While this capital injection is expected to bolster Vi's immediate outlook, substantial market share gains vis-à-vis peers are not on the horizon. concerns remain regarding potential significant equity dilution resulting from the conversion of government dues, potentially leading to over 80% government ownership. Such a scenario could limit meaningful upside for Vi's minority investors.

Vi has experienced a decline of approximately 19% in market share post-merger, attributed to inadequate network investment. Efforts are underway to rectify this by bridging the network coverage gap in 4G, aiming to mitigate some market share losses.

Significant disparities in 5G coverage compared to larger competitors are expected to persist. Additionally, Vi's peers stand to gain more from potential tariff increases and possess greater resources for customer acquisition, potentially hindering Vi's ability to make substantial market share gains against Bharti and R-Jio.

Vi's proposed issue size is INR 18000 cr. The company's proposal outlines the allocation of Net Proceeds for the following objectives:

1. The purchase of equipment for expanding their network infrastructure, which involves setting up new 4G sites, enhancing the capacity of existing 4G sites, and establishing new 5G sites will be INR 12,750 cr.
2. Payment of outstanding deferred payments for spectrum to the Department of Telecommunications (DoT) along with the applicable Goods and Services Tax (GST) will be INR 2,175 cr.
3. Utilization for general corporate purposes.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	ROCE (%)	P/E (X)	EV/EBITDA (X)
FY21	41,952.2	16,902.1	(44,464.5)	40.3	(106.0)	(8.8)	(7.6)	115.7	(4.7)	NA	14.4
FY22	38,515.5	16,016.1	(28,246.6)	41.6	(73.3)	(5.6)	(12.4)	45.6	(5.9)	NA	15.8
FY23	42,177.2	16,752.8	(29,301.6)	39.7	(69.5)	(5.8)	(14.8)	39.4	(4.9)	NA	15.9

Industry	Telecomm
----------	----------

Issue Details

Listing	BSE & NSE
Open Date	18 th Apr 2024
Close Date	22 nd Apr 2024
Price Band	INR 10-11
Face Value	INR 10
Market Lot	1298 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue	100.0%
Issue Size (Amt)	INR 18,000.0 cr
Issue Size (Shares)	16,363,636,363.0
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	5011.9 cr.
Post issue sh (nos)	6648.3 cr.
Post issue M Cap	80,505.0 cr.

Shareholding (%)	Pre (%)	Post (%)
Promoter	40.0	30.3
Promoter Group	8.7	6.6
Other	51.3	63.1
TOTAL	100	100

Growth Strategies

Focused Investments

The Company maintains a focused investment strategy in its 17 key service areas, which contributed significantly to revenue. Remaining committed to investment in all service areas ensures seamless connectivity for customers. Targeted capital expenditure drives growth, complemented by plans to deploy small cells in high-traffic areas of major cities, enhancing the user experience.

Improve 4G coverage and Capacity

The company plans to enhance customer experience by improving its 4G coverage and capacity. Network investments prioritize refarming existing 2G and 3G spectrum (900 MHz and 2100 MHz) to 4G, resulting in additional 4G sites with minimal capital expenditure. During the nine months ending December 31, 2023, the company closed 7,900 3G sites and deployed 3,300 4G sites across India. Additionally, in five service areas (Gujarat, Andhra Pradesh, Maharashtra, Mumbai, and Kolkata), the company discontinued its 3G network. Following the Merger, the company's daily data capacity surged from 25.8 PB per day as of September 30, 2018, to 82.1 PB per day as of December 31, 2023.

Deploying 5G Technologies

The company is dedicated to upgrading its network infrastructure to meet increasing data demands and aims to provide 5G technology, covering 40% of current revenues within 24 to 30 months. Leveraging the latest 4G technology, it's deploying advanced 5G technologies like Massive MIMO, DSR, ORAN, and core network cloudification for enhanced capacity, flexibility, and efficiency. Expansion of LTE 900 and 2,100 MHz spectrum presence across 14 service areas is also planned through dynamic spectrum refarming and additional site deployment.

Improve Average Revenue Per User and Customer Retention

The company aims to expand its 4G network in rural and semi-urban areas to boost ARPU by providing an improved network experience. Strategic collaborations are planned to develop new products/services and increase market share by enhancing customer experience. With 42% of subscribers still non-4G as of December 31, 2023, there's an opportunity to migrate them to higher-value plans with unlimited data. Targeted campaigns incentivizing 2G handset users to upgrade to smartphones will include cashback offers and zero-interest financing options through collaborations with NBFCs.

Monetize Digital initiatives and collaboration opportunities

The company is monetizing digital initiatives and collaborations, experiencing user growth in the Vi App across channels like movies, live TV, and music. This is fueled by curated content, user events, and gaming services, including eSports tournaments. Additional revenue streams are generated through data insights, analytics, and value-added services. Applications like 'm-Power' aid the selling

process with real-time information, while 'Smart Connect' boosts retailer engagement through cricket gamification via the 'Vi Game of Boundaries' campaign.

Key Risks & Concerns

- The audit and review reports of the statutory auditors of the Company include a paragraph addressing material uncertainty regarding going concern. It is uncertain whether similar observations or remarks will be included in the Company's financial statements or how they may impact its financial condition.
- The Company necessitates substantial capital to support its capital expenditure and working capital needs. Failure to secure additional capital may adversely impact the Company's business, financial results, financial condition, and cash flows.
- The Company has accrued considerable indebtedness and has not adhered to certain covenants outlined in its financing agreements. Failure to fulfill obligations, including financial and other covenants, under the Company's debt financing arrangements may negatively impact its business, financial results, financial condition, and cash flows.
- As per the implementation agreement between the Company and Vodafone India's promoters during the Merger, there's a mechanism for settling liabilities, including AGR dues, by June 2025. Failure to fulfill AGR obligations could impact the Company's receipt of payments from the Vodafone Group under the settlement mechanism.
- High churn in India's mobile telecommunications industry poses a challenge, and the Company cannot guarantee retention of all existing subscribers or successful acquisition of new ones. Such fluctuations may adversely impact the Company's business and operational results.
- The Supreme Court of India has issued a judgment granting Telecom Service Providers, including the Company, a 10-year period to settle AGR dues in annual installments. Non-compliance with these directives may have adverse effects on the Company's business, operational results, and competitiveness.

Issue Structure and Offer Details

The proposed issue size of Vodafone Idea Ltd FPO is INR 18,000.00 cr fresh issue and the price band for the issue is in the range of INR 10-11 and the bid lot is 1298shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares (cr.)
QIB	Not more than 50% of the Net Issue	818.18
NIB	Not less than 15% of the Net Issue	490.90
Retail	Not less than 35% of the Net Issue	572.72

Number of shares based on a higher price band of INR 11

Source: Company Reports



Company's financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	41,952.2	38,515.5	42,177.2	Adjusted EPS (INR)	(8.8)	(5.6)	(5.8)
<i>YoY Growth (%)</i>	<i>(6.7)</i>	<i>(8.2)</i>	<i>9.5</i>	Adjusted Cash EPS (INR)	(4.1)	(0.9)	(1.2)
Raw Material Cost	3.0	7.0	7.8	Adjusted BVPS (INR)	(7.6)	(12.4)	(14.8)
<i>RM Cost to Sales (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	Adjusted CFO per share (INR)	3.1	3.5	3.8
Employee Cost	2,030.0	1,735.1	1,866.3	CFO Yield (%)	23.7	26.4	28.6
<i>Employee Cost to Sales (%)</i>	<i>4.8</i>	<i>4.5</i>	<i>4.4</i>	Adjusted FCF per share (INR)	5.8	6.5	7.7
Other Expenses	23,017.1	20,757.3	23,550.3	FCF Yield (%)	44.4	49.3	58.2
<i>Other Exp to Sales (%)</i>	<i>54.9</i>	<i>53.9</i>	<i>55.8</i>	Solvency Ratio (X)			
EBITDA	16,902.1	16,016.1	16,752.8	Total Debt to Equity	(4.7)	(3.1)	(2.7)
<i>Margin (%)</i>	<i>40.3</i>	<i>41.6</i>	<i>39.7</i>	Net Debt to Equity	(4.7)	(3.0)	(2.7)
<i>YoY Growth (%)</i>	<i>14.8</i>	<i>(5.2)</i>	<i>4.6</i>	Net Debt to EBITDA	10.5	11.7	12.0
Depreciation & Amortization	23,638.5	23,584.3	23,049.7	Return Ratios (%)			
EBIT	(6,736.4)	(7,568.2)	(6,296.9)	Return on Equity	115.7	45.6	39.4
<i>Margin (%)</i>	<i>(16.1)</i>	<i>(19.6)</i>	<i>(14.9)</i>	Return on Capital Employed	(4.7)	(5.9)	(4.9)
<i>YoY Growth (%)</i>	<i>(30.1)</i>	<i>12.3</i>	<i>(16.8)</i>	Return on Invested Capital	(4.8)	(6.0)	(5.0)
Other Income	413.1	183.3	384.6	Working Capital Ratios			
Bill discounting & other charges	18,193.4	21,014.7	23,363.4	Payable Days (Nos)	116	125	117
Fin Charges Coverage (X)	(0.4)	(0.4)	(0.3)	Inventory Days (Nos)	0	0	0
Exceptional Item	(19,968.1)	164.3	(22.4)	Receivable Days (Nos)	22	23	19
PBT	(44,484.8)	(28,235.3)	(29,298.1)	Net Working Capital Days (Nos)	-94	-102	-98
<i>Margin (%)</i>	<i>(106.0)</i>	<i>(73.3)</i>	<i>(69.5)</i>	Net Working Capital to Sales (%)	(25.7)	(27.8)	(26.9)
<i>YoY Growth (%)</i>	<i>(28.4)</i>	<i>(36.5)</i>	<i>3.8</i>	Valuation (X)			
Tax Expense	(20.3)	11.3	3.5	P/E	(1.5)	(2.3)	(2.3)
<i>Tax Rate (%)</i>	<i>0.0</i>	<i>(0.0)</i>	<i>(0.0)</i>	P/BV	(1.7)	(1.1)	(0.9)
PAT	(44,464.5)	(28,246.6)	(29,301.6)	EV/EBITDA	14.4	15.8	15.9
<i>Margin (%)</i>	<i>(106.0)</i>	<i>(73.3)</i>	<i>(69.5)</i>	EV/Sales	5.8	6.6	6.3
<i>YoY Growth (%)</i>	<i>(40.1)</i>	<i>(36.5)</i>	<i>3.7</i>	Cash Flow Statement			
Min Int/Sh of Assoc	231.4	1.2	0.5	PBT	(44,484.8)	(28,235.3)	(29,298.1)
Net Profit	(44,233.1)	(28,245.4)	(29,301.1)	Adjustments	58,545.7	45,719.6	47,517.3
<i>Margin (%)</i>	<i>(105.4)</i>	<i>(73.3)</i>	<i>(69.5)</i>	Change in Working Capital	1,558.5	(86.0)	653.0
<i>YoY Growth (%)</i>	<i>(40.1)</i>	<i>(36.1)</i>	<i>3.7</i>	Less: Tax Paid	20.3	(11.3)	(3.5)
Balance Sheet				Cash Flow from Operations	15,639.7	17,387.0	18,868.7
Share Capital	28,735.4	32,118.8	48,679.7	Net Capital Expenditure	(4,531.5)	(5,888.2)	(3,856.5)
Total Reserves	(66,963.4)	(94,083.6)	(1,23,038.8)	Change in Investments	5,606.6	157.9	(1,557.1)
Shareholders Fund	(38,228.0)	(61,964.8)	(74,359.1)	Cash Flow from Investing	1,075.1	(5,730.3)	(5,413.6)
Long Term Borrowings	1,57,415.5	1,75,950.8	1,89,290.1	Change in Borrowings	1,462.0	5,961.2	8,251.9
Deferred Tax Assets / Liabilities	(0.1)	(6.0)	(13.5)	Less: Finance Cost	(18,193.4)	(21,014.7)	(23,363.4)
Other Long Term Liabilities	17,720.0	18,785.6	32,159.7	Proceeds from Equity	0.0	4,499.7	432.0
Long Term Trade Payables	126.8	85.2	105.8	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	41.6	38.4	23.5	Dividend Paid	0.0	0.0	0.0
Total Liabilities	1,37,075.8	1,32,889.2	1,47,206.5	Cash flow from Financing	(16,731.4)	(10,553.8)	(14,679.5)
Net Block	1,67,490.4	1,56,818.6	1,56,255.2	Net Cash Flow	(16.6)	1,102.9	(1,224.4)
Capital Work in Progress	599.6	323.9	300.3	Forex Effect	0.0	0.0	0.0
Intangible assets under development	6.3	40.4	17,576.1	Opening Balance of Cash	366.9	350.3	1,453.2
Non Current Investments	4.1	5.3	5.8	Closing Balance of Cash	350.3	1,453.2	228.8
Long Term Loans & Advances	13,690.5	10,694.6	10,049.5				
Other Non Current Assets	7,587.9	9,304.8	9,139.4				
Net Current Assets	(52,303.0)	(44,298.4)	(46,119.8)				
Total Assets	1,37,075.8	1,32,889.2	1,47,206.5				

Source: Ventura Research

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) - 400608