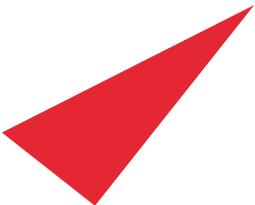


# Pick of the Week



**Bharti Airtel Ltd.**

Aug 25, 2025



| Industry | LTP        | Recommendation  | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|----------|------------|---|----------------------|----------------------|--------------|
| Telecom  | Rs 1933.30 | Buy in Rs 1915-1955 band and add on dips in Rs 1760-1795 band | Rs 2100              | Rs 2246              | 2-3 quarters |

|                        |             |
|------------------------|-------------|
| HDFC Scrip Code        | BHAAIREQNR  |
| BSE Code               | 532454      |
| NSE Code               | BHARTIARTL  |
| Bloomberg              | BHARTI IN   |
| CMP Aug 22, 2025       | 1933.30     |
| Equity Capital (Rs Cr) | 2900.1      |
| Face Value (Rs)        | 5.0         |
| Equity Share O/S (Cr)  | 580.0       |
| Market Cap (Rs Cr)     | 1,121,337.4 |
| Book Value (Rs)        | 196.0       |
| Avg. 52 Wk Volumes     | 7,045,861   |
| 52 Week High           | 2045.8      |
| 52 Week Low            | 1447.7      |

| Share holding Pattern % (June, 2025) |      |
|--------------------------------------|------|
| Promoters                            | 51.3 |
| Institutions                         | 45.8 |
| Non Institutions                     | 2.9  |
| Total                                | 100  |



\* Refer at the end for explanation on Risk Ratings

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### Our Take:

Bharti Airtel Ltd. (BAL) is a global telecommunication service provider with over 605 million customers as of June 30, 2025, across 15 countries in Asia and Africa. BAL is the largest integrated communications solutions provider in India and the second-largest mobile operator in Africa. Airtel's retail portfolio includes high-speed 4G/5G mobile broadband, Airtel Xstream Fiber with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments and financial services. For enterprise customers, Airtel offers a gamut of solutions that include secure connectivity, cloud and data centre services, cyber security, internet of things (IoT), ad tech and cloud-based communication. Over the years, Bharti Airtel has expanded its spectrum holdings by acquiring spectrum through auctions.

Bharti Airtel has the highest Average revenue per user (ARPU) for India mobile services in the industry and has benefitted most from tariff hikes in the last 4 years. Over FY20-FY25, Bharti Airtel experienced a 62% increase in average revenue per user. BAL's ARPU continued to be best in industry in Q1FY26, on QoQ basis, it stood at Rs 250 in Q1FY26 vs. Rs 245 in Q4FY25, and Rs 211 in Q1FY25, on a comparable basis. Expectations of tariff hikes in H2FY26, could boost the average revenue per user (ARPU) and help generate higher incremental EBITDA margin and free cash flow to support future investments. Bharti is looking to achieve its target ARPU of Rs 300 in the near to medium future. Moreover, Bharti discontinued the Rs 249 entry-level prepaid plan. This shift raises the minimum data plan to 1.5 GB per day, aiming to boost telecom companies' ARPU in the absence of broad tariff hikes.

The company has robust operational performance, supported by the continued rising proportion of high ARPU data, increasing data-usage of around 26.9 GB per user per month in Q1FY26 vs. 23.4 GB per user per month in Q1FY25. Additionally, BAL strengthened its spectrum footprint further by acquiring the rights to use the 5G spectrum across various bands, enabling it to offer low-latency and high-quality 5G offerings to enterprises and high-value retail customers. The company is confident about future growth opportunities in postpaid, broadband, convergence, and B2B, and is preparing for value unlocking across its portfolio over the next few years.

### Valuation & Recommendation:

BAL has established its market position in the Indian telecom industry and is engaged in diversified telecom and allied services with a leading market share across the segments. The company continues to report strong revenue growth and EBITDA backed by continued healthy growth in the Indian mobility business, as indicated by increasing revenue market share and subscriber market share, along with growing home services and enterprise business.

BAL is in a strong position to gain from the industry's average revenue per user growth of 62% over the next four-five years, supported by

an attractive market structure with two strong players and two weak players, along with favourable regulations. However, delays in tariff hikes, difficulty in huge debt servicing, and elevated capex/regulatory payouts could be the concern areas for the company.

**Investors can buy in the Rs 1915-1955 band and add on dips in the Rs 1760-1795 band (9.5x FY27E EV/EBITDA & 28x FY27E EPS). We believe the base case fair value of the stock is Rs 2100 (11x FY27E EV/EBITDA & 33.1x FY27E EPS) and the bull case fair value of the stock is Rs 2246 (11.75x FY27E EV/EBITDA & 35.4x FY27E EPS) over the next 2-3 quarters. At the LTP of Rs 1933.30, the stock is trading at 10.2x FY27E EV/EBITDA & 30.4x FY27E EPS.**

### Financial Summary:

| Particulars (Rs Cr)    | Q1FY26 | Q1FY25 | YoY-% | Q4FY25 | QoQ-%  | FY23     | FY24     | FY25     | FY26E    | FY27E    |
|------------------------|--------|--------|-------|--------|--------|----------|----------|----------|----------|----------|
| Total Operating Income | 49463  | 38506  | 28.5  | 47876  | 3.3    | 1,39,145 | 1,49,982 | 1,72,985 | 2,03,784 | 2,27,418 |
| EBITDA                 | 27839  | 19708  | 41.3  | 26869  | 3.6    | 70,604   | 70,720   | 93,159   | 1,06,070 | 1,20,986 |
| Depreciation           | 12465  | 10540  | 18.3  | 12326  | 1.1    | 36,432   | 39,538   | 45,570   | 46,949   | 49,095   |
| Other Income           | 592    | 1275   | -53.6 | 544    | 8.9    | 1,689    | 4,145    | 12,564   | 2,344    | 1,933    |
| Interest Cost          | 5461   | 5152   | 6.0   | 5502   | -0.8   | 19,300   | 22,648   | 21,754   | 20,361   | 18,721   |
| Tax                    | 3083   | 1308   | 135.7 | -2892  | -206.6 | 4,273    | 4,121    | 917      | 10,481   | 15,291   |
| RPAT                   | 7422   | 3983   | 86.4  | 12476  | -40.5  | 12,287   | 8,558    | 37,481   | 30,622   | 39,813   |
| APAT                   | 5948   | 4160   | 43.0  | 11142  | -46.6  | 8,843    | 12,561   | 27,050   | 28,325   | 36,827   |
| Diluted EPS (Rs)       | 10.3   | 7.2    | 43.0  | 19.2   | -46.6  | 15.2     | 21.7     | 46.6     | 48.8     | 63.5     |
| RoE-%                  |        |        |       |        |        | 12.3     | 15.7     | 27.6     | 22.4     | 24.1     |
| P/E (x)                |        |        |       |        |        | 126.8    | 89.3     | 41.5     | 39.6     | 30.4     |
| EV/EBITDA (x)          |        |        |       |        |        | 18.8     | 18.7     | 14.1     | 12.1     | 10.2     |

(Source: Company, HDFC sec)

### Q1FY26 Result Update

Bharti Airtel's numbers were above expectations in Q1FY26, and the company maintained industry-leading growth. The company has strong business momentum led by leading operational indicators.

### Reported numbers

- Consolidated revenue grew by 28.5% YoY to Rs 49,463 crore in Q1FY26, driven by rapidly increasing demand for data, rise in tariff prices, premiumization and CPaaS (Communication Platform as a Service).
- EBITDA was up 41.2% YoY to Rs 27,839 crore and EBITDA margin ramped up 510 bps YoY to 56.3% in Q1FY26.
- Net Profit stood at Rs 5,948 crore in Q1FY26 vs. Rs 4,160 crore in Q1FY25 and PAT margin stood at 12% in Q1FY26.

## Segment wise performance

- Mobile services from India revenues (contributed 49.6% to the revenue) grew by 21.6% YoY on account of led by tariff hike, strong smartphone customer additions and premiumization efforts,
- Mobile Service from Africa (contributed 21.9% to the revenue) increased by 25.4% YoY in Q1FY26.
- Airtel Business (contributed 9.2% to the revenue) decreased by 7.7% YoY, impacted by portfolio transformation.
- Home Services (contributed 3.1% to the revenue) increased by 25.7% YoY, led by substantial customer additions.
- Digital TV Services (contributed 1.4% to the revenue) de grew by 1.8% YoY, Digital TV continued to consolidate its market position.
- Passive Infrastructure Services (business combination of Indus) was at Rs 8,091 crore.

## Subscribers

- As of June 30, 2025, overall customer base at ~605 mn across 15 countries vs. as of March 31, 2025, overall customer base at 590 mn across 15 countries.
- Customer base in India stood at ~ 436 Mn and Africa stood at 169 Mn as on date.
- Total data traffic on the network stood at 23,454 Mn GBs, up 22.6% YoY.
- 4G/5G data customers up by 280.69 Mn, grew 1.4% QoQ and 8.2% YoY, 78.5% of overall mobile customer base
- Mobile data consumption up 13.4% YoY, consumption per customer at 26.9 GB per month.

## ARPU

- Average revenue per user (ARPU) continued to be best in industry as Q1FY26, on QoQ basis, stood at Rs 250 in Q1FY26 vs. Rs 245 in Q4FY25.

## Key Updates

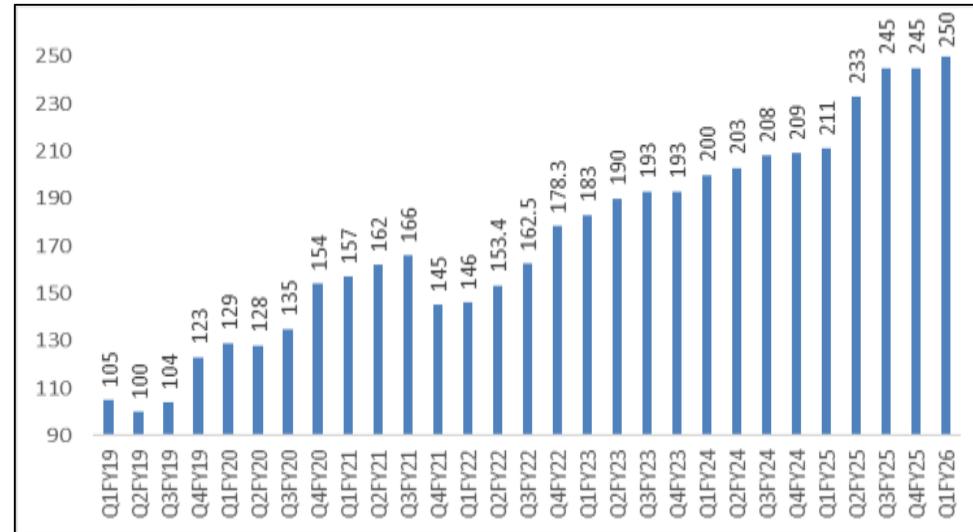
### **Industry-leading ARPU and expectation of further rise due to tariff hike**

Bharti Airtel has the highest Average revenue per user (ARPU) for India mobile services in the industry and benefitted most from tariff hikes in last 4 years. Over FY20-FY25, Bharti Airtel experienced a 62% increase in average revenue per user. There was a major price hike in FY25, the growth in ARPU for its India mobility business was largely supported by increasing the proportion of high ARPU generating post-paid customers and data customers. In addition to the growth in subscribers, supported strong revenue and EBITDA growth for its India mobility business in FY25, aiding its consolidated revenue and EBITDA. BAL's ARPU continued to be best in industry in Q1FY26, on QoQ basis, it stood at Rs 250 in Q1FY26 vs. Rs 245 in Q4FY25, Rs 233 in Q2FY25, Rs 211 in Q1FY25, Rs 209 in Q4FY24, Rs 208 in Q3FY24, Rs 203 in Q2FY24, and Rs 200 in Q1FY24, on a comparable basis.

Accompanied by rising data usage with the adoption of 5G services and rise in tariff charge, will continue to drive growth in ARPU over the near to medium term. Bharti discontinued the Rs 249 entry-level prepaid plan. This shift raises the minimum data plan to 1.5 GB per day, aiming to boost telecom companies' ARPU in the absence of broad tariff hikes. Compared to global benchmarks, India has the lowest prices

(tariff charges). Bharti is looking to achieve its target ARPU of Rs 300 in the near to medium future. We expect more space to improve telecom industry ARPU in the future. Expectation of tariff hikes in H2FY26, could boost the average revenue per user (ARPU) and will help to generate higher incremental EBITDA margin and free cash flow to support future investments. However, consolidation of the overall subscriber base due to an increase in the tariffs and any consequent impact on revenue will remain monitorable.

### Quarterly ARPU (Rs)



(Source: Company, HDFC sec)

### Diversified business profile led by established market position in the telecom industry

BAL's revenue has been diversified across the geographies - Asia and Africa, and across business segments like mobile telephone, digital TV, home broadband, digital infrastructure, and enterprise solutions. The company's India mobility segment contributed 55% to its FY25 consolidated revenue, followed by Airtel Africa business (20%-25%), Indus Towers business (15%-20%), enterprise solutions business (10%-15%), and the remaining from home broadband services and digital TV business. The revenue and EBITDA grew for almost all the businesses, except for its Airtel business and digital TV services, which declined 7.7% YoY and 1.8% on YoY basis in Q1FY26, respectively.

The company's revenue and EBITDA are further supported by the consolidation of telecom tower business of Indus Towers in the company's financials effective November 2024 after Indus Towers becoming a subsidiary of the company. However, business is growing consistently supporting the growth at the consolidated level.

BAL has a strong business footprint with its presence in 15 countries, and huge market potential, due to the low user penetration and increasing data usage, which augur well for BAL's Africa business growth. The company has maintained strong performance in Africa driven

by growth in data uptick and several cost optimisation initiatives. The consistent improvement in Africa operations is demonstrated by an increase in revenue on account of rising ARPU and increasing subscriber base.

BAL has an established market position in India, with a wireless subscriber market share of 33.5% in May 2025 vs. 33.2% in May 2024 and a broadband subscriber market share of 31.5% in May 2025 vs. 30.2% in May 2024 as per Telecom Regulatory Authority of India (TRAI)'s data. As per TRAI's data, BAL's revenue market share stood at 40.3% in Q4FY25 vs 38.6% Q4FY24. Furthermore, the company's subscriber and revenue market share have been consistently increasing over the last two-to-three years.

### **Investment in a non-mobile business**

Bharti Airtel non-mobility India businesses, which comprise home services, enterprise business, digital TV business and now tower infrastructure business. The company has strong potential in the non-mobile portfolio. Airtel strengthened its non-mobile business portfolio through innovations in CPaaS and Airtel Secure. The company continued to invest in its network, Data Centres, Submarine cable capacities, and tower infra business

The company strengthened its partnerships – the Hughes Airtel JV, the investments into Lavelle for SDWAN, Aquiliz for blockchain, Oracle for Data Centers and Google as a strategic equity partner. The company has targeted Rs 40-50,000 cr market for CPaaS, Data Center, Cyber Security are new opportunity areas. In connectivity as well, significant opportunities exist in B2B space in Tech, Banking, IT-ITES. Home broadband is also a growing opportunity. The company is drawing blueprints for investments to increase its presence in the Cloud business. The Home Cloud services market is valued at USD 4.9 bn.

The enterprise business is driven by the growing demand for connectivity, communication platforms, cloud-based services, data centers, advertising technology, and cybersecurity from enterprises. The business is likely to benefit substantially from its 5G deployment, the migration to cloud computing and conducive government policies such as data localisation.

The telecom tower business, which is housed under the company's subsidiary— Indus Towers and is also part of the company's consolidated financials from November 2024, generated a revenue of Rs 30120 crore and an EBITDA of Rs 20840 crore in FY25. Revenue growth in the telecom tower business is also likely to support growth in company's consolidated revenue and profitability.

Bharti Airtel announced a strategic partnership with Apple in Aug 2024, with a focus on bringing the best of entertainment to its customers in India with new, exclusive offers for Apple TV+ and Apple Music. As part of the partnership, Airtel XStream customers can now watch Apple TV+ content as part of the telco's video streaming platform. The service is included for premium Airtel WiFi customers and postpaid plans.

## Strong fundamentals led by healthy debt protection metrics and liquidity

- BAL reported revenue CAGR at 13.5% over FY19 to FY25. Revenue rose by ~15% in FY25, growth was broad-based with a strong performance in the enterprise and home broadband segments. We expect the group's revenue growth at a CAGR of ~15% over the FY25-FY27E on continued improvement in the Indian wireless market, rise in ARPU and strong growth in the African markets.
- The consolidated EBITDA margins continued to improve to 53.9% in FY25, owing to higher ARPU in the India mobility business, better operating efficiencies for other businesses and the improving margins of the Africa business.
- Its Consolidated net debt including the impact of leases stands at Rs 191,579 crore as on June 30, 2025. Net Debt-EBITDA ratio (annualized) and including the impact of leases as on Jun 30, 2025 is at 1.7 times as compared to 1.86 times in the previous quarter.
- Consolidated capex spend in the quarter was Rs 8,307 crore in the quarter and the company reported capex of ~Rs 42300 crore in FY25 vs. ~Rs 48,900 crore in FY24, ~Rs 38,200 crore in FY23 and ~Rs 27000 crore in FY22.
- BAL had cash and equivalents of ~Rs 18,000 crore as of June 30, 2025. A fairly long payment timeline of 16-20 years allowed for spectrum liabilities further supports the liquidity of the company. While the repayment of adjusted gross revenue for past obligations will also start from FY26E, we believe that the liquidity will remain adequate.
- BAL is consistent in paying dividends to its shareholders, except FY21, the company paid dividend at Rs 16 per share in FY25. We have a conservative approach toward BAL's dividend policy in the future.

## What could go wrong?

- The competition in the Indian telecommunications industry has remained elevated over the last few years, leading to pressure on realisations for all players. Although the competitive intensity by the new player (R-Jio) has reduced lately, any intensification of this could hurt Bharti Airtel in terms of revenues and margins.
- The telecom industry remains susceptible to regulatory and technological changes. New technology could necessitate fresh investments or overhaul of the existing networks. Furthermore, telecom is a highly regulated market.
- Bharti has wide presence in multiple geographies across the globe. In Africa alone, operations are spread across 15 markets, with the top five countries accounting for about 2/3rd of the total revenue. Each market has its own regulatory environment and distinct consumer behavior patterns. Besides, adverse currency fluctuations against the INR could impact its revenue as well as earnings.
- Investment in Telecom industry is capital intensive in nature, Airtel has invested in significant capex for acquiring spectrum, though with the advanced technology incremental expenditure on network equipment is expected to be limited. Further, rise in capex could impact its cash flow of business and rise in interest cost due to raising the debt fund for capex purpose could impact its profitability.
- Airtel has started investing towards 5G capabilities including fibre and networks. Delay in client's conversion into 5G and addition of new clients could impact its earnings as well as profitability going forward.
- New technology in the telecom sector could necessitate fresh investments or overhaul of existing networks. For instance, with the launch of 5G services, BAL could require to significantly invest in laying networks even after incurring significant capex for 5G networks.

## Key Performance Indicators

| Particulars                  | Q1FY22 | Q2FY22  | Q3FY22  | Q4FY22  | Q1FY23  | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 |
|------------------------------|--------|---------|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Bharti India Wireless</b> |        |         |         |         |         |        |        |        |        |        |        |        |        |        |        |        |        |
| ARPU - Rs                    | 146    | 153.4   | 162.5   | 178.3   | 183     | 190    | 193    | 193    | 200    | 203    | 208    | 209    | 211    | 233    | 245    | 245    | 250    |
| Total subscribers (mn)       | 321    | 323.5   | 322.9   | 326     | 327     | 328    | 332    | 335    | 339    | 342    | 346    | 352    | 355    | 351.6  | 356.6  | 361.6  | 362.8  |
| Data Subscribers (mn)        | 193    | 200     | 203     | 208.4   | 211.9   | 219.1  | 225    | 233    | 238    | 246    | 253    | 261    | 267    | 271.2  | 277.6  | 281.2  | 284.8  |
| Monthly Churn (%)            | 2.8    | 3       | 2.9     | 2.8     | 2.9     | 3.3    | 3      | 2.8    | 2.8    | 2.9    | 2.9    | 2.4    | 2.8    | 3.2    | 2.5    | 2.3    | 2.7    |
| Data Traffic (b mb)          | 10771  | 11270.8 | 11311.8 | 11849.3 | 12305.8 | 13232  | 13853  | 14248  | 15273  | 15966  | 16656  | 16146  | 19240  | 19775  | 20659  | 21584  | 23388  |
| GBs/month                    | 18.9   | 19.1    | 18.7    | 19.2    | 19.4    | 20.3   | 20.3   | 20.3   | 21.1   | 21.7   | 22     | 22.6   | 23.7   | 23.9   | 24.5   | 25.1   | 26.9   |
| <b>Bharti Airtel Africa</b>  |        |         |         |         |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Mobile Subscribers(mn)       | 121    | 122.7   | 125.8   | 128.4   | 131.6   | 134.7  | 138.5  | 140    | 143.1  | 147.7  | 151.2  | 152.7  | 155.4  | 156.6  | 163.1  | 166.1  | 169.4  |
| ARPU -USD                    | 2.8    | 2.8     | 3       | 2.9     | 2.2     | 2.3    | 2.4    | 2.4    | 2.5    | 2.5    | 2.6    | 2.6    | 2.2    | 2.3    | 2.4    | 2.4    | 2.4    |

(Source: Company, HDFC sec)

## Financials

### Income Statement

| (Rs Cr)                  | FY23          | FY24          | FY25          | FY26E         | FY27E         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Net Revenues</b>      | <b>139145</b> | <b>149982</b> | <b>172985</b> | <b>203784</b> | <b>227418</b> |
| Growth (%)               | 19.4          | 7.8           | 15.3          | 17.8          | 11.6          |
| Operating Expenses       | 68541         | 79263         | 79826         | 97715         | 106432        |
| <b>EBITDA</b>            | <b>70604</b>  | <b>70720</b>  | <b>93159</b>  | <b>106070</b> | <b>120986</b> |
| <b>Growth (%)</b>        | <b>22.7</b>   | <b>0.2</b>    | <b>31.7</b>   | <b>13.9</b>   | <b>14.1</b>   |
| <b>EBITDA Margin (%)</b> | <b>50.7</b>   | <b>47.2</b>   | <b>53.9</b>   | <b>52.1</b>   | <b>53.2</b>   |
| Depreciation             | 36432         | 39538         | 45570         | 46949         | 49095         |
| <b>EBIT</b>              | <b>34172</b>  | <b>31182</b>  | <b>47589</b>  | <b>59121</b>  | <b>71892</b>  |
| Other Income             | 1689          | 4145          | 12564         | 2344          | 1933          |
| Interest expenses        | 19300         | 22648         | 21754         | 20361         | 18721         |
| <b>PBT</b>               | <b>16561</b>  | <b>12679</b>  | <b>38399</b>  | <b>41103</b>  | <b>55104</b>  |
| Tax                      | 4273          | 4121          | 917           | 10481         | 15291         |
| <b>RPAT</b>              | <b>12287</b>  | <b>8558</b>   | <b>37481</b>  | <b>30622</b>  | <b>39813</b>  |
| <b>APAT</b>              | <b>8843</b>   | <b>12561</b>  | <b>27050</b>  | <b>28325</b>  | <b>36827</b>  |
| Growth (%)               | 183.0         | 42.0          | 115.3         | 4.7           | 30.0          |
| EPS                      | 15.2          | 21.7          | 46.6          | 48.8          | 63.5          |

### Balance Sheet

| As at March                       | FY23          | FY24          | FY25           | FY26E         | FY27E         |
|-----------------------------------|---------------|---------------|----------------|---------------|---------------|
| <b>SOURCE OF FUNDS</b>            |               |               |                |               |               |
| Share Capital                     | 2837          | 2877          | 2900           | 2900          | 2900          |
| Reserves                          | 74726         | 79142         | 110772         | 136587        | 162973        |
| <b>Shareholders' Funds</b>        | <b>77563</b>  | <b>82019</b>  | <b>113672</b>  | <b>139487</b> | <b>165873</b> |
| Long Term Debt                    | 202398        | 184890        | 160534         | 150534        | 140534        |
| Net Deferred Taxes                | -16876        | -16731        | -15556         | -14936        | -14563        |
| Long Term Provisions & Others     | 13751         | 12898         | 10564          | 9283          | 8819          |
| <b>Minority Interest</b>          | <b>28881</b>  | <b>23545</b>  | <b>39796</b>   | <b>42092</b>  | <b>45078</b>  |
| <b>Total Source of Funds</b>      | <b>305718</b> | <b>286620</b> | <b>309009</b>  | <b>326461</b> | <b>345741</b> |
| <b>APPLICATION OF FUNDS</b>       |               |               |                |               |               |
| Net Block & Goodwill              | 326819        | 320207        | 399467         | 397317        | 379765        |
| Other Non-Current Assets          | 43361         | 46805         | 22393          | 20343         | 21495         |
| <b>Total Non Current Assets</b>   | <b>370180</b> | <b>367012</b> | <b>421861</b>  | <b>417659</b> | <b>401260</b> |
| Inventories                       | 258           | 364           | 452            | 558           | 623           |
| Trade Receivables                 | 3982          | 4728          | 7456           | 5583          | 6231          |
| Cash & Equivalents                | 18123         | 16609         | 18373          | 34295         | 63946         |
| Other Current Assets              | 35139         | 36575         | 41308          | 35112         | 28090         |
| <b>Total Current Assets</b>       | <b>57501</b>  | <b>58276</b>  | <b>67589</b>   | <b>75549</b>  | <b>98890</b>  |
| Short-Term Borrowings             | 23622         | 30703         | 53108          | 48108         | 42108         |
| Trade Payables                    | 32895         | 35133         | 38154          | 41873         | 43614         |
| Other Current Liab & Provisions   | 65447         | 72833         | 89178          | 76766         | 68686         |
| <b>Total Current Liabilities</b>  | <b>121964</b> | <b>138668</b> | <b>180440</b>  | <b>166748</b> | <b>154408</b> |
| <b>Net Current Assets</b>         | <b>-64463</b> | <b>-80392</b> | <b>-112851</b> | <b>-91199</b> | <b>-55519</b> |
| <b>Total Application of Funds</b> | <b>305718</b> | <b>286620</b> | <b>309009</b>  | <b>326461</b> | <b>345741</b> |

(Source: Company, HDFC sec)

## Cash Flow Statement

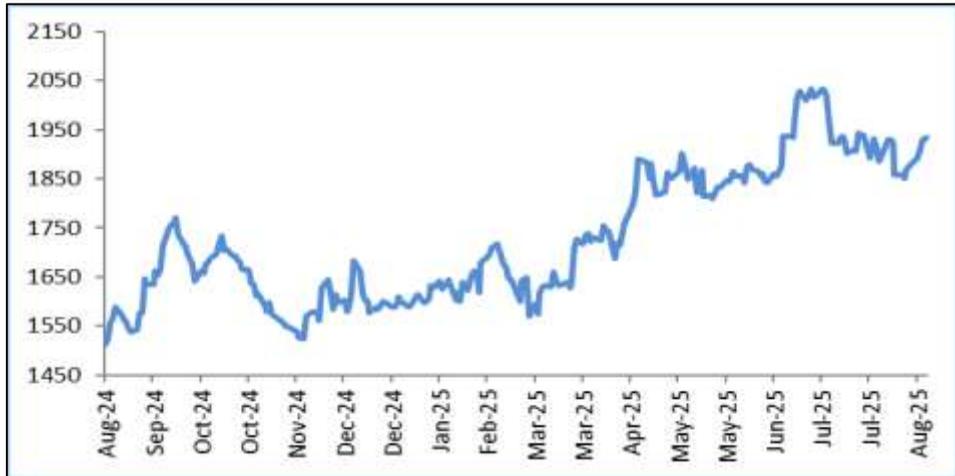
| (Rs Cr)                          | FY23           | FY24           | FY25           | FY26E          | FY27E           |
|----------------------------------|----------------|----------------|----------------|----------------|-----------------|
| Reported PBT                     | 16,561         | 12,679         | 38,399         | 41,103         | 55,104          |
| Non-operating & EO items         | 700            | 5,864          | -10,675        | -2,344         | -1,933          |
| Interest Expenses                | 18,535         | 21,284         | 21,095         | 20,361         | 18,721          |
| Depreciation                     | 36,432         | 39,538         | 45,570         | 46,949         | 49,095          |
| Working Capital Change           | -3,112         | 2,414          | 8,381          | 2,531          | -524            |
| Tax Paid                         | -3,792         | -2,881         | -4,438         | -10,481        | -15,291         |
| <b>OPERATING CASH FLOW ( a )</b> | <b>65,325</b>  | <b>78,898</b>  | <b>98,332</b>  | <b>98,119</b>  | <b>1,05,171</b> |
| Capex                            | -26,450        | -39,929        | -39,235        | -42,500        | -45,000         |
| Free Cash Flow                   | 38,875         | 38,970         | 59,097         | 55,619         | 60,171          |
| Investments                      | -2,012         | 1,205          | -219           | 672            | 153             |
| Non-operating income             | -10,618        | -11,480        | -20,816        | 2,344          | 1,933           |
| <b>INVESTING CASH FLOW ( b )</b> | <b>-39,080</b> | <b>-50,204</b> | <b>-60,270</b> | <b>-39,485</b> | <b>-42,914</b>  |
| Debt Issuance / (Repaid)         | -26,509        | -17,527        | -13,544        | -15,000        | -16,000         |
| Interest Expenses                | -18,535        | -21,284        | -21,095        | -20,361        | -18,721         |
| FCFE                             | -6,170         | 158            | 24,458         | 20,258         | 25,450          |
| Share Capital Issuance           | 5,225          | 1              | 1              | 0              | 0               |
| Dividend                         | -1,666         | -4,364         | -8,729         | -9,860         | -10,440         |
| Other                            | 7,095          | 7,959          | 1,492          | 2,344          | 1,933           |
| <b>FINANCING CASH FLOW ( c )</b> | <b>-34,392</b> | <b>-35,217</b> | <b>-41,875</b> | <b>-42,878</b> | <b>-43,228</b>  |
| <b>NET CASH FLOW (a+b+c)</b>     | <b>-8,148</b>  | <b>-6,522</b>  | <b>-3,812</b>  | <b>15,757</b>  | <b>19,029</b>   |

## Key Ratios

| Particulars                    | FY23  | FY24  | FY25  | FY26E | FY27E |
|--------------------------------|-------|-------|-------|-------|-------|
| <b>Profitability Ratio (%)</b> |       |       |       |       |       |
| EBITDA Margin                  | 50.7  | 47.2  | 53.9  | 52.1  | 53.2  |
| EBIT Margin                    | 24.6  | 20.8  | 27.5  | 29.0  | 31.6  |
| APAT Margin                    | 6.4   | 8.4   | 15.6  | 13.9  | 16.2  |
| RoE                            | 12.3  | 15.7  | 27.6  | 22.4  | 24.1  |
| RoCE                           | 4.0   | 5.5   | 12.4  | 9.8   | 13.0  |
| <b>Solvency Ratio (x)</b>      |       |       |       |       |       |
| Net Debt/EBITDA                | 2.9   | 2.8   | 2.1   | 1.5   | 1.0   |
| Net D/E                        | 2.7   | 2.4   | 1.7   | 1.2   | 0.7   |
| <b>PER SHARE DATA (Rs)</b>     |       |       |       |       |       |
| EPS                            | 15.2  | 21.7  | 46.6  | 48.8  | 63.5  |
| CEPS                           | 78.1  | 89.8  | 125.2 | 129.8 | 148.1 |
| BV                             | 133.7 | 141.4 | 196.0 | 240.5 | 286.0 |
| Dividend                       | 4.0   | 8.0   | 16.0  | 17.0  | 18.0  |
| <b>Turnover Ratios (days)</b>  |       |       |       |       |       |
| Debtor days                    | 10    | 12    | 16    | 10    | 10    |
| Inventory days                 | 0     | 0     | 0     | 0     | 0     |
| Creditors days                 | 86    | 85    | 81    | 75    | 70    |
| <b>VALUATION (x)</b>           |       |       |       |       |       |
| P/E                            | 126.8 | 89.3  | 41.5  | 39.6  | 30.4  |
| P/BV                           | 14.5  | 13.7  | 9.9   | 8.0   | 6.8   |
| EV/EBITDA                      | 18.8  | 18.7  | 14.1  | 12.1  | 10.2  |
| EV / Revenues                  | 9.6   | 8.8   | 7.6   | 6.3   | 5.5   |
| Dividend Yield (%)             | 0.2   | 0.4   | 0.8   | 0.9   | 0.9   |

(Source: Company, HDFC sec)

## One Year Price Chart



### HDFC Sec Prime Research Rating description

#### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

#### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

#### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

#### Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

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