

## Healthy performance...

**About the stock:** Bharti Airtel (Airtel) is India's second largest telecom operator with ~32.8 crore wireless customers in India and ~13.2 crore subscribers across 14 African countries. It enjoys industry leading ARPU in the wireless business.

**Q2FY23 Results:** Airtel reported a healthy set of numbers.

- Consolidated topline came in at ₹ 34,527 crore, up 5.2% QoQ, 21.9% YoY. India wireless revenues were up 4% QoQ (up 24.8% YoY) at ₹ 18,958 crore, led by ARPU, which came in at ₹ 190, up 3.6% QoQ, driven by higher number of days and subscriber mix improvement. Overall sub base saw a modest addition of 0.5 mn QoQ at 327.8 mn. It witnessed healthy 4G Net adds of ~5 mn during the quarter, with 4G data sub base at 210.3 mn. The post-paid subscriber base also saw robust addition of ~283,000 subscribers at 18.3 mn. The India non-wireless segment also posted strong growth
- Consolidated EBITDA was at ₹ 17,594 crore, up 6.4% QoQ, with margins of 51%, up 57 bps QoQ led by India wireless margins which were at 52.4% (up 116 bps QoQ), driven by lower SUC charges after new spectrum purchase
- Reported net debt (excluding lease liability) was at ~₹ 1.57 lakh crore (up ₹ 37,769 crore, owing to deferred liabilities of new spectrum)

**What should investors do?** Airtel's share price has been up ~68% in the past five years.

- Favourable industry structure of three players (two being strong), government relief, last tariff hike and fund raise has put Airtel in a sweet spot to maintain its relative strength among peers with a formidable digital ecosystem offering. We maintain our **BUY** rating

**Target Price and Valuation:** We value Airtel at a target price of ₹ 960

### Key triggers for future price performance:

- Strategy on tariff hike as its pass through would bolster margins
- Relative market share gain from VIL, given its stressed balance sheet and long term potential driven by growth opportunity from 5G

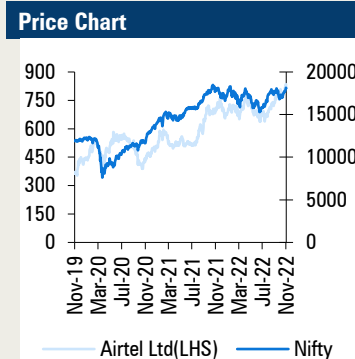
**Alternate Stock Idea:** Besides Airtel, we like Inox in our telecom/media coverage.

- A play on recovery of multiplex earnings and consolidation
- BUY with target price of ₹ 675



| Particulars                     |          |
|---------------------------------|----------|
| Particulars                     | Amount   |
| Market Capitalisation (₹ Crore) | 4,53,349 |
| Total Debt (₹ Crore) - FY22     | 1,69,678 |
| Cash & Inv (₹ Crore) - FY22     | 9,221    |
| EV (₹ Crore)                    | 6,13,806 |
| 52 week H/L                     | 841/ 629 |
| Equity capital                  | 2,795.0  |
| Face value                      | 5.0      |

| Shareholding pattern |        |        |        |        |
|----------------------|--------|--------|--------|--------|
|                      | Dec-21 | Mar-22 | Jun-22 | Sep-22 |
| Promoters            | 55.9   | 55.9   | 55.9   | 55.1   |
| DII                  | 17.8   | 17.7   | 18.4   | 17.5   |
| FII                  | 19.4   | 19.4   | 18.5   | 20.0   |
| Other                | 6.9    | 7.0    | 7.2    | 7.4    |



### Key risks

- Key Risk:** (i) Any subscriber churn; (ii) Increased competitive intensity

### Research Analyst

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### Key Financial Summary

| (Year-end March)       | FY20     | FY21     | FY22     | 5 yr CAGR (FY17-22) | FY23E    | FY24E    | FY25E    | 3 yr CAGR (FY22-25E) |
|------------------------|----------|----------|----------|---------------------|----------|----------|----------|----------------------|
| Net Sales (₹ crore)    | 87,539   | 1,00,616 | 1,16,830 | 4.1                 | 1,38,508 | 1,55,975 | 1,69,014 | 13.1                 |
| EBITDA (₹ crore)       | 36,482   | 45,372   | 57,817   | 10.4                | 71,356   | 84,163   | 92,535   | 17.0                 |
| Net Profit (₹ crore)   | (32,183) | (15,084) | 4,538    | 3.6                 | 10,164   | 20,185   | 25,524   | 77.8                 |
| Adjusted PAT (₹ crore) | (4,075)  | (1,300)  | 2,840    |                     | 10,164   | 20,185   | 25,524   |                      |
| EPS (₹)                | (59.0)   | (27.6)   | 8.1      |                     | 16.8     | 33.3     | 42.2     |                      |
| P/E (x)                | NA       | NA       | 99.9     |                     | 48.3     | 24.3     | 19.2     |                      |
| Price / Book (x)       | 5.7      | 7.5      | 6.8      |                     | 6.0      | 4.8      | 3.8      |                      |
| EV/EBITDA (x)          | 15.7     | 13.2     | 10.5     |                     | 8.7      | 7.0      | 5.9      |                      |
| RoCE (%)               | 4.1      | 6.4      | 9.1      |                     | 12.1     | 15.9     | 17.5     |                      |
| RoE (%)                | (5.3)    | (2.2)    | 4.3      |                     | 12.4     | 19.7     | 20.0     |                      |

Source: Company, ICICI Direct Research;

## Key performance highlight and outlook

### India wireless business –decent performance

The ARPU at ₹ 190, up 3.6% QoQ (vs. 2% growth expectations), was driven by higher number of days and subscriber mix improvement. **We highlight the overall ARPU improvement was better than Jio, which saw ~0.9% QoQ growth in ARPU. Overall sub base saw a modest addition of 0.5 mn QoQ at 327.8 mn. It witnessed healthy 4G Net adds of ~5 mn during the quarter, with 4G data sub base at 210.3 mn (overall data customers base of 219.1 mn). The postpaid subscriber base also saw robust addition of ~283,000 subscribers at 18.3 million (mn).** The company indicated that given the unsustainable RoCEs of 8.4% in India and South Asia Business, a tariff hike is warranted. We highlight that while the management does expect a further round of tariff increase for pre-paid customers in the near term, it refrained from stating the timeline. **We expect monthly ARPU to reach ₹ 225 in FY25 vs. current levels of ₹ 190, driven by one more round of tariff hike of 10% in FY24 and higher wallet share of premium subscribers.**

### Non-wireless segment remains robust

In the broadband business, Airtel witnessed strong growth driven by healthy net customer additions of 417k during the quarter to 5.2 mn. The collaboration with local digital cable operator on partnership model has enabled Airtel to be present in 1060 cities (added 77 cities during Q2FY23). We note that the company had also reiterated robust opportunity on Enterprise side (total market size of ~₹ 40,000 crore) and adjacent areas like *CPaaS, Data Centre, Cloud communication, cyber security, IOT* with similar market size. During the quarter, the company saw superior growth compared to peers and added to the market share gains in the enterprise segment.

### Other highlights

- **5G:** The company indicated that it has launched 5G in a few key cities and expects to cover 100% of urban areas and most key rural areas **by March, 2024. The 5G launch will entail advancement of capex from FY25 to H2FY23 and FY24, with three year's capex likely to be at similar levels, as a chunk of 4G capex will be displaced. It also informed that while it does not intend to price 5G at a premium to 4G, it believes that overall pricing stack (of 4G) does need to go up from current levels given suboptimal RoCE (8.4%) of India and South Asia business. The company intends to use loading at existing towers for 5G expansion**
- **Rural focus:** Airtel stressed on the need to bridge the rural coverage (currently at 96% for Airtel) with Jio given that 40% incremental 4G customers are from rural areas. Therefore, in the near to medium term, it would focus on expanding coverage there with the aid of data science and field study for demand. It intends to build lower cost lean sites to expand in rural areas
- **SUC benefits:** During the quarter, the company saw partial benefits of SUC and expects further benefits of ₹ 250 crore in the next quarter. Recall, that spectrum purchased in last auction had zero SUC, while the Department of Telecommunications (DoT) had also removed the 3% floor rate on spectrum usage charge. Thus, weighted average SUC will come down drastically, resulting in ~₹ 2000 crore of annual EBITDA savings.

**Bharti Airtel continues to report resilient numbers especially on the Indian wireless business front. The improvement in ARPUs and continued margin expansion remain a key positive. The non-wireless business momentum along with Africa performance, continues to be robust. Favourable industry structure of three players (two being strong), government relief, tariff hike and fund raise puts Airtel in sweet spot to maintain its relative strength among peers with a formidable digital ecosystem offering. We remain constructive on Airtel and maintain our BUY rating on the stock with an SOTP based target price of ₹ 960/share**

**Exhibit 1: Variance Analysis**

|                    | Q2FY23   | Q2FY23E  | Q2FY22   | Q1FY23   | YoY (%) | QoQ (%) | Comments |
|--------------------|----------|----------|----------|----------|---------|---------|----------|
| Revenue            | 34,526.8 | 33,815.2 | 28,326.4 | 32,804.6 | 21.9    | 5.2     |          |
| Employee Expenses  | 1,208.6  | 1,173.0  | 1,101.0  | 1,123.5  | 9.8     | 7.6     |          |
| Marketing Expenses | 3,712.0  | 3,413.7  | 2,885.9  | 3,468.5  | 28.6    | 7.0     |          |
| Access Charges     | 1,931.0  | 1,973.0  | 1,670.8  | 1,869.8  | 15.6    | 3.3     |          |
| Network Operating  | 7,130.3  | 6,916.3  | 6,178.8  | 6,682.8  | 15.4    | 6.7     |          |
| License Fee        | 2,951.1  | 3,138.1  | 2,679.4  | 3,130.6  | 10.1    | -5.7    |          |
| EBITDA             | 17,593.8 | 17,201.1 | 13,810.5 | 16,529.4 | 27.4    | 6.4     |          |
| EBITDA Margin (%)  | 51.0     | 50.9     | 48.8     | 50.4     | 220 bps | 57 bps  |          |
| Depreciation       | 8,946.8  | 8,820.0  | 8,247.2  | 8,781.4  | 8.5     | 1.9     |          |
| Interest           | 4,940.3  | 4,543.6  | 3,964.1  | 4,510.9  | 24.6    | 9.5     |          |
| Exceptional Items  | 0.0      | 0.0      | -722.1   | 0.0      | -100.0  | #DIV/0! |          |
| Total Tax          | 1,286.4  | 1,369.3  | 1,030.8  | 1,123.3  | 24.8    | 14.5    |          |
| PAT                | 2,145.2  | 2,358.1  | 1,134.0  | 1,606.9  | 89.2    | 33.5    |          |
| Subscribers (Mn)   | 327.8    | 329.3    | 323.5    | 327.3    | 1.3     | 0.1     |          |
| ARPU               | 190      | 187      | 153      | 183      | 23.7    | 3.6     |          |

Source: Company, ICICI Direct Research

**Exhibit 2: Change in Estimates**

| (₹ Crore)         | FY23E    |          |          | FY24E    |          |          | FY25E    |                   |
|-------------------|----------|----------|----------|----------|----------|----------|----------|-------------------|
|                   | Old      | New      | % Change | Old      | New      | % Change | New      |                   |
| Revenue           | 1,37,912 | 1,38,508 | 0.4      | 1,56,586 | 1,55,975 | -0.4     | 1,69,014 | Realign estimates |
| EBITDA            | 71,273   | 71,356   | 0.1      | 84,929   | 84,163   | -0.9     | 92,535   |                   |
| EBITDA Margin (%) | 51.7     | 51.5     | -16 bps  | 54.2     | 54.0     | -28 bps  | 54.7     |                   |
| PAT               | 11,633   | 10,164   | -12.6    | 20,968   | 20,185   | -3.7     | 25,524   |                   |
| EPS (₹)           | 19.2     | 16.8     |          | 34.6     | 33.3     |          | 42.2     |                   |

Source: Company, ICICI Direct Research

## Business Highlights (India)

- **Overall revenues & EBITDA:** Overall India revenues were at ₹ 24333 crore, up 4.3% QoQ, largely driven by healthy traction in India wireless business. **Overall Indian margin was up 85 bps QoQ at 51.8%** aided by wireless business margins expansion
- **Wireless revenues & EBITDA:** India wireless revenues were up 4% QoQ (up 24.8% YoY) at ₹ 18958 crore, led by one extra day and mix improvement driving ARPU, which came in at ₹ 190, up 3.6% QoQ (higher than RJio's ~0.9% growth). The company indicated that ARPU growth was driven by: a) device upgrades, b) data monetisation, c) premiumisation and d) bundling through Airtel Black. The management remains confident of maintaining growth in ARPU. India wireless margins was at 52.4% (up 116 bps QoQ), aided by partial benefits of lower SUC charges after new spectrum purchase. *Recall, that spectrum purchased in the last auction had zero SUC, while the Department of Telecommunications (DoT) had also removed the 3% floor rate on spectrum usage charge. Thus, weighted average SUC will come down drastically, resulting in ~₹ 2000 crore of annual EBITDA savings*
- **Subscriber base and 4G addition:** Overall sub base saw a modest addition of 0.5 mn QoQ at 327.8 mn. It witnessed healthy 4G Net adds of ~5 mn during the quarter, with 4G data sub base at 210.3 mn (overall data customers base of 219.1 mn). **The post-paid subscriber base also saw robust addition of ~283,000 subscribers at 18.3 mn**
- **Minutes and data usage:** Data usage per sub was up 4.2% QoQ to 20.3 GB. Voice usage per customer was down 2% QoQ to 1082 minutes. Total minutes on network was down 1.5% QoQ to 1063 billion (bn) minutes
- **Non-wireless:** On the India non-wireless front, homes services (broadband) revenues were up 6.8% QoQ at ₹ 990 crore, driven by healthy net adds of 417k customers during the quarter to 5.2 mn. Airtel business (enterprise) revenues were up 6.8% QoQ at ₹ 4665 crore and DTH reported revenues witnessed a decline of 2.6% QoQ at ₹ 729 crore
- **Network capacity and capex:** The company maintained its continued access expansion in the form of sites/tower additions (~8372 sites) and capacity through mobile broadband BTS additions (20825 additions in Q2). **India mobile capex was at ₹ 3911 crore (vs. ₹ 3695 crore in Q1) with overall India capex of ₹ 5682 crore (vs. ₹ 5288 crore in Q1)**

## Business highlights (Africa)

- Africa revenues were up 4% QoQ at US\$1.31 billion. EBITDA margins were at 49.1% (up 23 bps QoQ). Airtel Money reported 10.3% QoQ revenue growth at US\$177 mn. **In rupee terms, Africa revenues were up 7.7% QoQ at ₹ 10,445 crore, also aided by currency depreciation**
- Subscriber base was up by 3.1 mn QoQ at 134.7 mn with ARPU at US\$2.9 up 4.4% QoQ. Data subs base was up by 2.1 mn QoQ at 48.6 mn while total data usage was up 13.9% QoQ at 662.6 bn MB. Data usage per subscriber was at 4.5 GB per month, up 12.5% QoQ

## Other Highlights

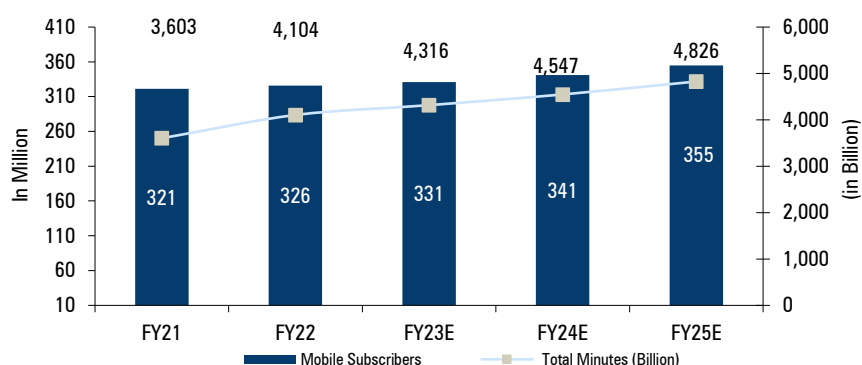
- **Consolidated debt and capex:** Total capex spends (excluding spectrum) for the quarter was at ₹ 7047 crore vs. ₹6398 crore in Q1. Reported net debt (excluding lease liability) was at ~₹ 1.57 lakh crore (up ₹ 37769 crore, owing to deferred liabilities of new spectrum purchase)

**Exhibit 3: Segmental revenues and EBITDA**

| Revenues - ₹ crore            | FY21            | FY22            | FY23E           | FY24E           | FY25E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>India</b>                  | <b>75,366</b>   | <b>85,469</b>   | <b>1,02,116</b> | <b>1,16,197</b> | <b>1,27,291</b> |
| Mobility                      | 55,568          | 63,205          | 76,400          | 87,285          | 95,103          |
| Broadband                     | 2,334           | 3,039           | 4,058           | 4,913           | 5,748           |
| Enterprise                    | 14,408          | 16,070          | 18,712          | 21,038          | 23,450          |
| Passive Infrastructure        |                 |                 |                 |                 |                 |
| DTH+ Others                   | 3,056           | 3,154           | 2,946           | 2,961           | 2,990           |
| <b>Africa</b>                 | <b>28,863</b>   | <b>35,061</b>   | <b>41,142</b>   | <b>45,217</b>   | <b>47,709</b>   |
| <b>South Asia</b>             | <b>425</b>      | <b>387</b>      | <b>276</b>      | <b>280</b>      | <b>280</b>      |
| <b>Total Gross Revenue</b>    | <b>1,04,654</b> | <b>1,20,917</b> | <b>1,43,535</b> | <b>1,61,695</b> | <b>1,75,280</b> |
| Intersegmental Elimination    | -4,038          | -3,983          | -5,026          | -5,720          | -6,266          |
| <b>Net Revenue</b>            | <b>1,00,616</b> | <b>1,16,830</b> | <b>1,38,372</b> | <b>1,55,975</b> | <b>1,69,014</b> |
| <b>EBITDA ₹ crore</b>         | <b>FY21</b>     | <b>FY22E</b>    | <b>FY23E</b>    | <b>FY24E</b>    | <b>FY24E</b>    |
| <b>India &amp; South Asia</b> | <b>32,841</b>   | <b>40,912</b>   | <b>52,008</b>   | <b>62,917</b>   | <b>69,587</b>   |
| <b>Africa</b>                 | <b>13,298</b>   | <b>17,207</b>   | <b>19,569</b>   | <b>21,856</b>   | <b>23,366</b>   |
| <b>Gross EBITDA</b>           | <b>46,139</b>   | <b>58,119</b>   | <b>71,577</b>   | <b>84,773</b>   | <b>92,953</b>   |
| Intersegmental Elimination    | 767             | 301             | 221             | 611             | 419             |
| <b>Reported EBITDA</b>        | <b>45372</b>    | <b>57817</b>    | <b>71356</b>    | <b>84163</b>    | <b>92535</b>    |

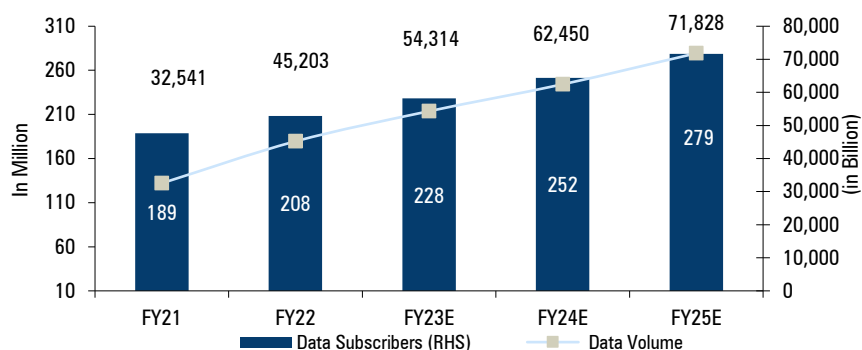
Source: Company, ICICI Direct Research \*excluded tower revenues post H2FY21 after Indus Deconsolidation

**Exhibit 4: India subscriber details**



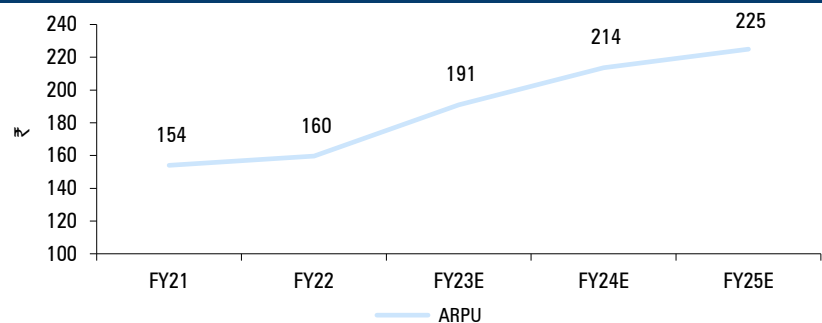
Source: Company, ICICI Direct Research

**Exhibit 5: Data volume and data subs trend**



Source: Company, ICICI Direct Research

**Exhibit 6: India mobile ARPU trend**



Source: Company, ICICI Direct Research

## Financial Summary

| Exhibit 7: Profit and loss statement |                   |                   |                   |                   | ₹ crore |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|---------|
| (Year-end March)                     | FY22              | FY23E             | FY24E             | FY25E             |         |
| <b>Total operating Income</b>        | <b>1,16,830.3</b> | <b>1,38,508.4</b> | <b>1,55,975.1</b> | <b>1,69,014.2</b> |         |
| Growth (%)                           | 16.1              | 18.6              | 12.6              | 8.4               |         |
| Employee Expenses                    | 4,433.3           | 4,889.2           | 5,434.6           | 5,870.6           |         |
| Marketing Expenses                   | 11,734.5          | 14,295.2          | 15,161.0          | 15,892.7          |         |
| Access Charges                       | 6,761.1           | 7,928.7           | 8,950.1           | 9,595.2           |         |
| Network Operating                    | 25,020.5          | 28,359.1          | 30,125.1          | 31,906.3          |         |
| License Fee                          | 11,063.6          | 11,680.3          | 12,141.9          | 13,214.8          |         |
| Other Costs                          | 0.0               | 0.0               | 0.0               | 0.0               |         |
| Total Operating Expenditure          | 59,013.0          | 67,152.5          | 71,812.6          | 76,479.6          |         |
| <b>EBITDA</b>                        | <b>57,817.3</b>   | <b>71,355.8</b>   | <b>84,162.5</b>   | <b>92,534.6</b>   |         |
| Growth (%)                           | 27.4              | 23.4              | 17.9              | 9.9               |         |
| Depreciation                         | 33,090.7          | 36,012.2          | 38,213.9          | 41,408.5          |         |
| Interest                             | 16,616.2          | 18,630.0          | 16,967.8          | 14,967.8          |         |
| Other Income                         | 534.3             | 754.1             | 720.0             | 680.0             |         |
| Exceptional Items                    | (1,698.6)         | -                 | -                 | -                 |         |
| PBT                                  | 10,343.3          | 17,467.8          | 29,700.8          | 36,838.3          |         |
| MI / Profit from associates          | 1,627.1           | 1,896.1           | 1,200.0           | 1,000.0           |         |
| Total Tax                            | 4,177.9           | 5,407.8           | 8,316.2           | 10,314.7          |         |
| <b>PAT</b>                           | <b>4,538.3</b>    | <b>10,163.9</b>   | <b>20,184.6</b>   | <b>25,523.6</b>   |         |
| Growth (%)                           | NA                | 124.0             | 98.6              | 26.5              |         |
| <b>EPS (₹)</b>                       | <b>8.1</b>        | <b>16.8</b>       | <b>33.3</b>       | <b>42.2</b>       |         |

Source: Company, ICICI Direct Research

| Exhibit 8: Cash flow statement |                  |                  |                  |                  | ₹ crore |
|--------------------------------|------------------|------------------|------------------|------------------|---------|
| (Year-end March)               | FY22             | FY23E            | FY24E            | FY25E            |         |
| Profit after Tax               | 4,538.3          | 10,163.9         | 20,184.6         | 25,523.6         |         |
| Add: Depreciation              | 33,090.7         | 36,012.2         | 38,213.9         | 41,408.5         |         |
| Add: Interest Paid             | 16,616.2         | 18,630.0         | 16,967.8         | 14,967.8         |         |
| (Inc)/dec in Current Assets    | (463.5)          | (5,714.2)        | (4,106.2)        | (2,565.0)        |         |
| Inc/(dec) in CL and Prov       | 2,419.7          | 16,337.5         | 13,023.8         | 9,722.4          |         |
| Others                         | 0.0              | 0.0              | 0.0              | 0.0              |         |
| <b>CF from op activities</b>   | <b>56,201.3</b>  | <b>75,429.4</b>  | <b>84,283.9</b>  | <b>89,057.2</b>  |         |
| (Inc)/dec in Investments       | -1,731.8         | 0.0              | 0.0              | 0.0              |         |
| (Inc)/dec in Fixed Assets      | -49,580.8        | -71,000.0        | -28,000.0        | -28,000.0        |         |
| Others                         | 1,799.6          | -4,117.7         | -4,369.6         | -4,203.6         |         |
| <b>CF from inv activities</b>  | <b>-49,513.0</b> | <b>-75,117.7</b> | <b>-32,369.6</b> | <b>-32,203.6</b> |         |
| Issue/(Buy back) of Equity     | 49.0             | 231.7            | 0.0              | 0.0              |         |
| Inc/(dec) in loan funds        | 6,892.7          | 10,000.0         | -20,000.0        | -20,000.0        |         |
| Dividend paid & dividend tax   | 0.0              | 0.0              | 0.0              | 0.0              |         |
| Interest Paid                  | -16,616.2        | -18,630.0        | -16,967.8        | -14,967.8        |         |
| Others                         | 3,014.3          | 5,188.8          | 0.0              | 0.0              |         |
| <b>CF from fin activities</b>  | <b>-6,660.2</b>  | <b>-3,209.5</b>  | <b>-36,967.8</b> | <b>-34,967.8</b> |         |
| Net Cash flow                  | 28.1             | -2,897.8         | 14,946.5         | 21,885.8         |         |
| Opening Cash                   | 13,466.1         | 13,494.3         | 10,596.4         | 25,542.9         |         |
| <b>Closing Cash</b>            | <b>13,494.3</b>  | <b>10,596.4</b>  | <b>25,542.9</b>  | <b>47,428.7</b>  |         |

Source: Company, ICICI Direct Research

| Exhibit 9: Balance Sheet    |                 |                 |                 |                 | ₹ crore |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|---------|
| (Year-end March)            | FY22            | FY23E           | FY24E           | FY25E           |         |
| <b>Liabilities</b>          |                 |                 |                 |                 |         |
| Equity Capital              | 2,795           | 3,027           | 3,027           | 3,027           |         |
| Reserve and Surplus         | 63,759          | 79,112          | 99,296          | 1,24,820        |         |
| Total Shareholders funds    | 66,554          | 82,139          | 1,02,323        | 1,27,847        |         |
| Total Debt                  | 1,69,678        | 1,79,678        | 1,59,678        | 1,39,678        |         |
| Deferred Tax Liability      | 2,449           | 2,449           | 2,449           | 2,449           |         |
| Others                      | 38,036          | 33,918          | 29,548          | 25,345          |         |
| <b>Total Liabilities</b>    | <b>2,76,717</b> | <b>2,98,183</b> | <b>2,93,998</b> | <b>2,95,318</b> |         |
| <b>Assets</b>               |                 |                 |                 |                 |         |
| Gross Block                 | 3,69,739        | 4,40,739        | 4,68,739        | 4,96,739        |         |
| Less: Acc Depreciation      | 1,91,715        | 2,27,728        | 2,65,941        | 3,07,350        |         |
| Net Block                   | 1,78,023        | 2,13,011        | 2,02,797        | 1,89,389        |         |
| CWIP                        | 5,955           | 5,955           | 5,955           | 5,955           |         |
| Goodwill                    | 33,831          | 33,831          | 33,831          | 33,831          |         |
| Right of Use                | 32,229          | 32,229          | 32,229          | 32,229          |         |
| Investments                 | 31,622          | 31,622          | 31,622          | 31,622          |         |
| Debtors                     | 4,056           | 4,809           | 5,415           | 5,868           |         |
| Loans and Advances          | 12,090          | 14,334          | 16,141          | 17,490          |         |
| Other Current Assets        | 21,526          | 24,244          | 25,936          | 26,699          |         |
| Cash                        | 13,494          | 10,596          | 25,543          | 47,429          |         |
| Total Current Assets        | 51,167          | 53,983          | 73,036          | 97,486          |         |
| Creditors                   | 29,274          | 34,912          | 39,314          | 42,601          |         |
| Other Current Liabilities   | 57,665          | 68,365          | 76,986          | 83,422          |         |
| Total Current Liabilities   | 86,939          | 1,03,277        | 1,16,301        | 1,26,023        |         |
| Net Current Assets          | -35,773         | -49,294         | -43,265         | -28,537         |         |
| Others Assets               | 30,829          | 30,829          | 30,829          | 30,829          |         |
| <b>Application of Funds</b> | <b>2,76,717</b> | <b>2,98,183</b> | <b>2,93,998</b> | <b>2,95,318</b> |         |

Source: Company, ICICI Direct Research

| Exhibit 10: Key ratios      |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March)            | FY22  | FY23E | FY24E | FY25E |
| <b>Per share data (₹)</b>   |       |       |       |       |
| EPS                         | 8.1   | 16.8  | 33.3  | 42.2  |
| Cash EPS                    | 67.3  | 76.3  | 96.5  | 110.6 |
| BV                          | 119.1 | 135.7 | 169.0 | 211.2 |
| DPS                         | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash Per Share              | 24.1  | 17.5  | 42.2  | 78.3  |
| <b>Operating Ratios</b>     |       |       |       |       |
| EBITDA Margin (%)           | 49.5  | 51.5  | 54.0  | 54.7  |
| EBIT Margin (%)             | 21.2  | 25.5  | 29.5  | 30.2  |
| PAT Margin (%)              | 2.4   | 7.3   | 12.9  | 15.1  |
| Inventory days              | 0.0   | 0.0   | 0.0   | 0.0   |
| Debtor days                 | 12.7  | 12.7  | 12.7  | 12.7  |
| Creditor days               | 91.5  | 92.0  | 92.0  | 92.0  |
| <b>Return Ratios (%)</b>    |       |       |       |       |
| RoE                         | 4.3   | 12.4  | 19.7  | 20.0  |
| RoCE                        | 9.1   | 12.1  | 15.9  | 17.5  |
| RoIC                        | 15.5  | 19.2  | 27.9  | 35.5  |
| <b>Valuation Ratios (x)</b> |       |       |       |       |
| P/E                         | 99.9  | 48.3  | 24.3  | 19.2  |
| EV / EBITDA                 | 10.5  | 8.7   | 7.0   | 5.9   |
| EV / Net Sales              | 5.2   | 4.5   | 3.8   | 3.2   |
| Market Cap / Sales          | 3.9   | 3.3   | 2.9   | 2.7   |
| Price to Book Value         | 6.8   | 6.0   | 4.8   | 3.8   |
| <b>Solvency Ratios</b>      |       |       |       |       |
| Debt/EBITDA                 | 2.9   | 2.5   | 1.9   | 1.5   |
| Debt / Equity               | 2.5   | 2.2   | 1.6   | 1.1   |
| Current Ratio               | 0.4   | 0.4   | 0.4   | 0.4   |
| Quick Ratio                 | 0.4   | 0.4   | 0.4   | 0.4   |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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