

## BHARTI HEXACOM LIMITED

03-04-2024 TO 05-04-2024

Industry: Telecom - Cellular & Fixed line services  
Recommendation: Subscribe for long term

Price Band: ₹542-570  
Post Implied Market Cap: – ₹27,100 - ₹28,500 Cr

### Key Data

Issue Size (₹ Cr)	4275
Fresh (₹)	0
OFS (₹)	4275
No of shares offered	75,000,000
Face Value (₹ /share)	5
Bid Lot	26

### About the Company

Bharti Hexacom, formerly known as Hexacom India Ltd, is a telecommunications solutions provider operating in Rajasthan and the North-East circles of India. Acquired by Airtel in 2004, it offers consumer mobile, fixed-line telephone, and broadband services under the brand 'Airtel'. With licenses and spectrum in its two circles, Bharti Hexacom serves 27.1 million customers across 486 census towns.

### Investment Rationales

- Strong Parentage and Established Brand:** Bharti Hexacom, in which Airtel owns a 70% equity share, benefits significantly from its relationship with Airtel and its affiliates. Leveraging Airtel's brand strength, comprehensive service offerings, and focus on sustainability, Bharti Hexacom has seen sustained market growth and improved ARPU. Shared resources and operational efficiencies further enhance the synergy between the two companies, contributing to Bharti Hexacom's market position and operational effectiveness.
- Established Leadership and Large Subscriber Base:** Bharti Hexacom is a leading provider of mobile, fixed-line telephone, and broadband services in Rajasthan and the North-East telecom circles of India. With a presence in 486 census towns and 27.1 million customers, it holds the top position in the North-East circle and the second position in Rajasthan. The company, along with Airtel and affiliates, offers digital services, contributing to its market share growth. It reported higher Average Revenue Per User (ARPU) compared to competitors in both circles. Bharti Hexacom has invested ₹ 7,100 cr in capital expenditure, deploying 9,805 network sites to focus on revenue-generating cities, high-value areas, and rural expansion efforts.
- Presence in Markets with Growth Potential:** The company operates in Rajasthan and the North-East telecom circles in India. Rajasthan has 67.0 million customers, contributing 5.6% to India's telecom customers, while the North-East has 12.7 million customers, contributing 1.1%. Both regions are projected to see customer base growth and increased tele density. Rajasthan's gross revenue is expected to reach ₹183-185 billion by Fiscal 2028, and North-East's to reach ₹39-41 billion. ARPU for wireless services in both circles has outperformed the national average, driven by increased smartphone adoption, digital payments, data consumption, and demand for e-education.
- Extensive Distribution and Service Network:** Bharti Hexacom boasts an extensive sales and distribution network covering both rural and urban areas in Rajasthan and the North-East circles, supported by 616 distributors and 75 stores as of December 31, 2023. The company utilizes the 'Mitra' app, licensed from Airtel's affiliate, to empower its distribution partners digitally for selling Airtel services and facilitating transactions. With 89,454 retail touchpoints and additional small-format stores, Bharti Hexacom aims to enhance its retail presence, particularly focusing on post-paid, home broadband, and international roaming services.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	8/4/2024
Refunds/Unblocking ASBA Fund	10/4/2024
Credit of equity shares to DP A/c	10/4/2024
Trading commences	12/4/2024

### Shareholding (No. of shares)

Pre-Issue	500,000,000
Post Issue (Lower price band)	-
Post Issue (Higher price band)	500,000,000

### Shareholding Pattern

#### Promoters- Sat Industries Ltd

Pre Issue	70.00%
Post Issue	70.00%

#### Public-Other Selling S/h

Pre Issue	30%
Post Issue	15%

#### Public - Others:

Pre Issue	-
Post Issue	15%

### Issue Breakup

QIB	75%
NIB	15%
Retail	10%

### Other Details

**BRLMs:** Axis Capital Ltd, SBI Capital Markets Ltd, BOB Capital Markets Ltd, ICICI Securities Ltd, IIFL Securities Ltd.

**Registrar:** Kfin Technologies Ltd.

**Listing:** BSE & NSE

### Research Analyst

**Rajan Shinde**

rajan.shinde@mehtagroup.in

022-61507142

### Risk

- 1) High capital and competition intensive business
- 2) 100% OFS.

### MView

We believe Bharti Hexacom IPO gives investors an opportunity to invest in a subsidiary within the Airtel group, which plays a pivotal role in delivering communication solutions, particularly in the North-East regions of India. We think with the leadership in mobile, fixed-line telephone, and broadband services, along with strategic investments in network infrastructure, the company is poised for continued growth. We also believe company's projected customer base expansion, increased tele density, and a strong sales and distribution network further bolster its prospects. Hence Bharti Hexacom is well-positioned to capitalize on evolving market trends and consumer preferences, driving revenue growth in key service areas. By looking at the financials the company has shown a good growth in FY 2022 and FY 2023 in Revenue from operations with 17% and 22% with the company consistently increasing the Average Revenue Per User (ARPU) for mobile services from ₹135 in FY 2021 to ₹185 FY 2023. On valuation parse at the upper band of ₹570/-, the issue is asking a Market cap of ₹ 28500/- cr. Based on annualized FY 2024 earnings, a fully diluted post-IPO paid-up capital, the company is asking a P/E of 76x which seems the offer fully priced in the near term growth triggers by looking at the peers and even its parentage Bharti Airtel is trading at 63x. Investors should also look at IPO offers which comes with 100% OFS i.e ₹4275/- cr issue which is an area of concern for new investors. But the relationship between Bharti Hexacom and Airtel presents a compelling synergy, leveraging Airtel's brand strength, diverse service offerings and sustainability focus to drive sustained market growth. Hence, considering all the parameters we recommend investors to "SUBSCRIBE" the Bharti Hexacom Ltd IPO for Long term perspective only.



### CONSOLIDATED FINANCIAL TABLES

#### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Dec' 30		As at March' 31		
	2023 (09)	2022(09)	2023	2022	2021
Equity Share Capital	250	250	250	250	250
Net worth	3,978.80	3,920.20	3,972.20	3,573.20	1,898.70
Revenue from Operations	5,220.80	4,846.50	6,579.00	5,405.20	4,602.30
EBITDA	2,576.40	2,091.00	2,888.40	1,898.50	1,137.30
EBITDA Margin (%) as stated	49.40%	43.10%	43.90%	35.10%	24.70%
PAT	281.8	347.3	549.2	1,674.60	-1,033.90
EPS (Basic & Diluted) (FV ₹5)	5.6	7	11	33.5	-20.7
ARPU for Mobile Services (₹)	197.00	184.00	185.00	155.00	135.00
Total Borrowings	6253.00	6349.80	6269.30	7198.30	5975.20
Debt Equity Ratio (x)	1.40	1.60	1.50	1.90	3.00
Net Debt to EBITDA (x)	2.90	3.80	2.80	4.70	6.80
Net Asset Value per share (₹)	88.30	80.20	84.20	73.20	39.70
Return on Net worth (%)	7.1%	8.9%	13.8%	46.9%	-54.5%
Return on Capital Employed (%)	10.7%	7.6%	10.7%	4.1%	-1.6%

Source: Company RHP

#### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Financials	Mcap (in Cr)	FV	Revenue from operations FY 2023 (in Cr)	EPS	NAV	P/E	RoNW
Bharti Hexacom	Standalone	28500	5	6,579.00	7.51	81.45	75.85	13.80
Bharti Airtel	Consolidated	7,18,473	5	1,39,144.80	14.8	136.7	63.1	15
Vodafone Idea	Consolidated	68,249	10	42,177.20	-8.4	-15.3	-	NA
Reliance Jio Infocomm	Standalone	-	10	90,786.00	4.1	48	-	8.40

Date as on 2nd April 2024, Cline Mcap, PE, PB calculated as on 02-04-2024

Bharti Hexacom Ltd, EPS/PE, P/B, NAV calculated on annualised basis post money



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: [info@mehtagroup.in](mailto:info@mehtagroup.in), Website: [www.mehtagroup.in](http://www.mehtagroup.in)

Compliance Officer: Prakash Joshi

Email Id: [compliance@mehtagroup.in](mailto:compliance@mehtagroup.in)

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: [help.kyc@mehtagroup.in](mailto:help.kyc@mehtagroup.in) Phone: + 91 22 61507154