

# VODAFONE IDEA

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>HOLD</b>
Sector relative	Underperformer
Price (INR)	6.5
12 month price target (INR)	7.0
52 Week High/Low	17/6
Market cap (INR bn/USD bn)	700/8.0
Free float (%)	33.1
Avg. daily value traded (INR mn)	3,988.4

### SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	25.57%	38.80%	37.32%
FII	5.98%	10.10%	10.17%
DII	4.14%	4.90%	4.28%
Pledge	0.00%	0.00%	0.00%

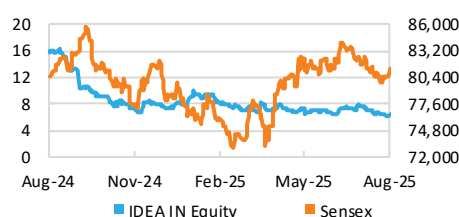
### FINANCIALS

	(INR bn)			
Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	427	436	466	562
EBITDA	171	181	205	294
Adjusted profit	(320)	(274)	(265)	(225)
Diluted EPS (INR)	(6.4)	(3.8)	(2.4)	(2.1)
EPS growth (%)	(6.1)	39.9	36.2	15.2
RoAE (%)	35.0	31.4	31.7	20.8
P/E (x)	nm	nm	nm	nm
EV/EBITDA (x)	18.1	15.8	15.0	11.0
Dividend yield (%)	0	0	0	0

### CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	466	562	(3.5)	(0.4)
EBITDA	205	294	(4.3)	1.9
Adjusted profit	(265)	(225)	(5.2)	(8.2)
Diluted EPS (INR)	(2.4)	(2.1)	(5.2)	(8.2)

### PRICE PERFORMANCE



## Subs losses moderate; debt-raise still key

Vodafone Idea (VIL) reported muted yet in-line Q1FY26 results with revenue at INR110.2bn (+0.1% QoQ). The decrease in subscriber base (-0.5mn QoQ) offset ARPU growth of 0.6% QoQ to INR165. EBITDA margin contracted 47bp QoQ to 41.8% while PAT loss came in at INR66.1bn. Capex was INR24.4bn versus INR42.3bn in Q4FY25.

The moderation in subscriber losses is encouraging though we would like to see its consistency. The delay in debt funding continues to cloud visibility on survival while the CEO transition along with meeting AGR and spectrum obligations remain key monitorables. We are tweaking FY26E/27E EBITDA by -4%/+2%. We continue to value VIL at 11x FY27E EV/EBITDA; retain 'HOLD' with a TP of INR7 (earlier INR7.5).

### Subscriber losses—while moderating—affected overall growth

Revenue rose +0.1% QoQ/+4.9% YoY to INR110.2bn, in line with Street's estimate of INR111.5bn. ARPU grew +0.6% QoQ/+13.0% YoY to INR165. VIL lost 0.5mn subscribers (versus 1.6mn in Q4FY25). The 4G subscriber base increased 1.0mn QoQ to 127.4mn. Subscriber losses have moderated and are trending downwards as the company has improved its network coverage and rolled out 5G services. This is definitely an encouraging trend, which can bridge the gap between ARPU and revenue growth though we would like to see its consistency for the next few quarters. EBITDA margin inched down -47bp QoQ to 41.8% due to higher admin cost. Adjusted loss for the quarter was INR66.1bn (versus loss of INR71.7mn QoQ).

### Balance sheet remains stretched; new CEO at the helm

Capex for Q1FY26 came in at INR24.4bn (versus INR42.3bn in Q4FY25). Management guided for capex of INR50–60bn for H1FY26 with execution on track. However, capex intensity may ease down in H2FY26 in the absence of debt funding as operational cash flows would be diverted into investments. The conversion of the government's stake and improved credit rating are aiding ongoing negotiations for funding debt. The Board has appointed Mr Abhijit Kishore as the new CEO, succeeding Mr Akshaya Moondra upon completion of his three-year tenure. Mr Kishore was serving as the COO and has been with VIL for over ten years.

### Challenges ahead; not yet completely out of the woods

The impact of the recent change of CEO on performance remains a key monitorable. Investor attention is primarily on the much-delayed debt fund-raise, which is crucial to support capex along with upcoming AGR and spectrum obligations. While parameters such as pace of subscriber loss and ARPU also need to improve, balance sheet repair has become highly crucial for VIL's survival; maintain 'HOLD'.

### Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	1,10,225	1,05,083	4.9	1,10,135	0.1
EBITDA	46,121	42,047	9.7	46,597	(1.0)
Adjusted Profit	(66,081)	(64,321)	2.7	(71,661)	(7.8)
Diluted EPS (INR)	(0.6)	(0.9)	(35.6)	(1.0)	(39.2)

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	4,26,517	4,35,713	4,65,904	5,62,301
Gross profit	2,50,510	2,58,386	2,84,562	3,74,624
Employee costs	21,224	22,309	22,068	22,964
Other expenses	58,026	54,811	57,848	57,748
EBITDA	1,71,260	1,81,266	2,04,646	2,93,911
Depreciation	2,26,335	2,19,732	2,25,493	2,48,151
Less: Interest expense	2,57,655	2,45,434	2,52,172	2,78,743
Add: Other income	1,132	10,206	7,741	8,013
Profit before tax	(3,04,098)	(2,73,676)	(2,65,278)	(2,24,969)
Prov for tax	8,286	158	(30)	0
Less: Other adj	0	0	0	0
Reported profit	(3,12,384)	(2,73,834)	(2,65,248)	(2,24,969)
Less: Excp.item (net)	(7,555)	0	0	0
Adjusted profit	(3,19,939)	(2,73,834)	(2,65,248)	(2,24,969)
Diluted shares o/s	50,120	71,393	1,08,343	1,08,343
Adjusted diluted EPS	(6.4)	(3.8)	(2.4)	(2.1)
DPS (INR)	0	0	0	0
Tax rate (%)	2.7	0.1	0	0

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Network exp as % of rev	23.0	21.7	20.6	18.0
Spect.&access exp/rev	18.3	19.0	18.3	15.4
Staff cost as % of rev	5.0	5.1	4.7	4.1
EBITDA margin (%)	40.2	41.6	43.9	52.3
Net profit margin (%)	(75.0)	(62.8)	(56.9)	(40.0)
Revenue growth (% YoY)	1.0	2.1	7.1	20.7
EBITDA growth (% YoY)	1.8	5.8	12.9	43.6
Adj. profit growth (%)	(9.3)	14.4	3.1	15.2

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	86.5	86.5
Subs Base (mn)	212.6	198.2	194.7	192.7
ARPU (INR)	142.7	156.8	175.8	215.2
MOU (mins)	620.0	610.0	620.0	599.0
Debtor days	18.7	17.6	17.8	18.2
Tax Rate (%)	(2.7)	(0.1)	0	0
Capex (INR mn)	20,622.0	1,08,402.0	1,44,400.0	1,60,000.0

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	nm	nm	nm	nm
Price/BV (x)	nm	nm	nm	nm
EV/EBITDA (x)	18.1	15.8	15.0	11.0
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	5,01,198	7,13,930	10,83,430	10,83,430
Reserves	(15,42,866)	(14,17,132)	(20,51,943)	(22,76,912)
Shareholders funds	(10,41,668)	(7,03,202)	(9,68,513)	(11,93,482)
Minority interest	0	0	0	0
Borrowings	23,97,359	22,60,961	25,39,166	25,39,166
Trade payables	1,37,312	1,48,093	1,50,938	1,36,583
Other liabs & prov	3,56,765	2,72,764	2,71,252	2,71,252
Total liabilities	18,49,977	19,78,666	19,92,893	17,53,569
Net block	5,21,760	5,61,956	6,15,425	6,45,622
Intangible assets	10,54,991	10,08,646	9,05,872	7,87,524
Capital WIP	6,388	24,716	17,183	17,183
Total fixed assets	15,83,139	15,95,318	15,38,480	14,50,329
Non current inv	1,37,740	72,953	74,638	74,638
Cash/cash equivalent	5,362	1,05,685	1,69,010	12,486
Sundry debtors	21,948	20,003	25,355	30,706
Loans & advances	0	0	0	0
Other assets	1,01,788	1,84,707	1,85,410	1,85,410
Total assets	18,49,977	19,78,666	19,92,893	17,53,569

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	(3,04,098)	(2,73,676)	(2,65,248)	(2,24,969)
Add: Depreciation	2,26,335	2,19,732	2,25,493	2,48,151
Interest (net of tax)	2,57,655	2,45,434	2,52,172	2,78,743
Others	(7,760)	(10,783)	23,513	(8,013)
Less: Changes in WC	6,425	(92,556)	(6,553)	(19,706)
Operating cash flow	2,08,261	92,906	2,29,347	2,74,205
Less: Capex	(20,622)	(1,08,402)	(1,44,400)	(1,60,000)
Free cash flow	1,87,639	(15,496)	84,947	1,14,205

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	35.0	31.4	31.7	20.8
RoCE (%)	(3.7)	(1.9)	(0.8)	3.7
Inventory days	nm	nm	nm	nm
Receivable days	19	18	18	18
Payable days	nm	nm	nm	nm
Working cap (% sales)	(87.0)	(49.7)	(45.4)	(34.1)
Gross debt/equity (x)	(2.3)	(3.2)	(2.6)	(2.1)
Net debt/equity (x)	(2.3)	(3.1)	(2.4)	(2.1)
Interest coverage (x)	(0.2)	(0.2)	(0.1)	0.2

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(6.1)	39.9	36.2	15.2
RoE (%)	35.0	31.4	31.7	20.8
EBITDA growth (%)	1.8	5.8	12.9	43.6
Payout ratio (%)	nm	nm	nm	nm

## Q1FY26 conference call: Key highlights

- 5G services are available in 22 cities across 13 circles. On track to launch 5G in all 17 priority circles by Sep-25.
- Capex for the quarter was INR24.4bn; added ~4,800 new unique towers thereby densifying the network to deliver superior connectivity.
- Increased 4G population coverage by 7% to 84% in Q1FY26 from 77% in Q4FY25.
- Subscriber decline was 90% lower compared with Q2FY25 as well as Q3FY25 and the company remains confident this number will keep on improving with increased investments.
- Data traffic has grown 10.4% YoY at overall level and 11.2% as per 4G subscriber level.
- International roaming packs are now available in 144 countries worldwide, up from 129 countries in the previous quarter.
- The churn rate is likely to reduce with a pickup in population coverage, 5G rollout and execution strategy.
- Capex guidance of INR50–60bn was for H1FY26 and on track to reach that number. Management guidance of INR500–550bn would need additional funding.
- Since the launch of 5G in Mar-25, the company has reported an increase in device market share. Total 50–60% of the population has adopted 5G services in areas where 5G has been launched.
- In the absence of funding, Q3 and Q4 capex would be slower and funded through cash from operations until new funding is available.
- Post-paid subscriber increased 1.1mn QoQ; a large part comes from M2M, but positive net adds are there on the consumer side as well.
- Abhijit Kishore has been the COO since Nov-21. Prior to this, he was the Chief Enterprise Business Officer, strengthening the B2B segment.
- Due to conversion of spectrum dues by Gol into equity, the finance cost reduced during the quarter.
- Subscriber's loss due to switching to BSNL network is now behind and that can be easily seen through port in and port out data.

**Exhibit 1: Quarterly financial snapshot (INR mn)**

Year to March	Q1FY26	Q4FY25	QoQ	Q1FY25	YoY	FY24	FY25	FY26E	FY27E
Net revenues	1,10,225	1,10,135	0.1	1,05,083	4.9	4,26,517	4,35,713	4,65,904	5,62,301
Direct costs	44,106	44,512	(0.9)	43,712	0.9	1,76,163	1,77,344	1,81,358	1,87,695
Employee costs	5,435	5,495	(1.1)	5,467	(0.6)	21,224	22,309	22,068	22,964
Other operating costs	14,563	13,531	7.6	13,857	5.1	57,870	54,794	57,831	57,730
Total operating expenses	64,104	63,538	0.9	63,036	1.7	2,55,257	2,54,447	2,61,257	2,68,389
EBITDA	46,121	46,597	(1.0)	42,047	9.7	1,71,260	1,81,266	2,04,646	2,93,911
Depreciation	54,721	55,713	(1.8)	53,691	1.9	2,26,335	2,19,732	2,25,493	2,48,151
EBIT	-8,600	-9,116	(5.7)	-11,644	(26.1)	-55,075	-38,466	-20,847	45,761
Interest	58,928	64,713	(8.9)	55,186	6.8	2,57,655	2,45,434	2,52,172	2,78,743
Other income	1,417	2,148	(34.0)	2,563	(44.7)	1,132	10,206	7,741	8,013
PBT	-66,111	-71,661	(7.7)	-64,266	2.9	-3,11,653	-2,73,676	-2,65,278	-2,24,969
Reported profit	-66,081	-71,661	(7.8)	-64,321	2.7	-3,12,384	-2,73,834	-2,65,248	-2,24,969
Adjusted profit	-66,081	-71,661	(7.8)	-64,321	2.7	-3,19,939	-2,73,834	-2,65,248	-2,24,969
Basic EPS	(0.6)	(1.0)	(37.6)	(1.0)	(38.2)	(6.4)	(3.8)	(2.4)	(2.1)
Diluted EPS	(0.6)	(1.0)	(37.6)	(1.0)	(38.2)	(6.4)	(3.8)	(2.4)	(2.1)

Source: Company, Nuvama Research

**Exhibit 2: Quarterly key performance indicators**

Particulars	Q1FY26	Q4FY25	QoQ	Q1FY25	YoY
ARPU (INR)	165	164	0.6%	146	13.0%
MOU	590	598	-1.3%	607	-2.8%
Total minutes (bn)	350.0	357.0	-2.0%	385.0	-9.1%
Data Volume (mn GB)	6,748	6,166	9.4%	6,111	10.4%
Data Subscribers (mn)	134.8	134.1	0.5%	136.9	-1.5%
4G Data Subscribers (mn)	127.4	126.4	0.8%	126.7	0.6%
Total Subscribers (mn)	197.7	198.2	-0.3%	210.1	-5.9%
Total Broadband Sites	5,16,183	4,94,596	4.4%	4,17,245	23.7%

Source: Company, Nuvama Research

**Exhibit 3: VIL valuation**

INR mn	FY27 EBITDA	Target EV/EBITDA	Target EV	Per Share
Mobile Business	2,93,911	11.0	32,33,026	29.8
Mobile Business Net Debt			24,78,699	22.9
<b>Consolidated Equity Value</b>			<b>7,54,327</b>	<b>7.0</b>

Source: Company, Nuvama Research

**Exhibit 4: VIL debt profile**

INR mn	FY24	FY25	FY26E	FY27E
Gross Debt	24,38,092	25,14,826	24,01,185	24,91,185
Consol Cash	5,362	99,300	1,69,010	12,486
<b>Net Debt</b>	<b>24,32,730</b>	<b>24,15,526</b>	<b>22,32,175</b>	<b>24,78,699</b>
<b>Net Debt excl AGR</b>	<b>17,29,530</b>	<b>17,12,326</b>	<b>15,28,975</b>	<b>17,75,499</b>

Source: Company, Nuvama Research

## Company Description

Vodafone Idea (VI) was formed from the merger of Vodafone Idea and Idea Cellular. VI is the third largest telecom operator in India. The company offers voice and data services on 2G, 3G and 4G technologies across 22 service areas in India. The company has subscriber base of 198mn as of Mar-25.

## Investment Theme

VI's balance sheet has been weak due to high spectrum debt, and AGR liabilities. The company has invested lesser than peers in the network, which is resulting in lower 4G capacity and hence lower share of 4G customers. While VI has bought INR188bn of spectrum in the 2022 spectrum auction, its 5G rollout is expected to be slower as a weak balance sheet further impairs VI's ability to invest in the network. Hence, company needs material tariff hike and capital raise to tide over the challenges

## Key Risks

- Significant fund raise and massive network investments
- Acquisition by a new player
- Waiver of spectrum debt or AGR liabilities by the government

## Additional Data

### Management

CEO	Akshaya Moondra
CFO	Murthy GVAS
CTO	Jagbir Singh
COO	Abhijit Kishore
Auditor	S.R. Batliboi & Associates

### Holdings – Top 10\*

% Holding		% Holding	
Department of I	49.00	Mobilvest	1.55
Euro pacific se	5.16	Vodafone Teleco	1.50
Oriana investme	4.05	Trans cyrstal	1.35
Grasim Industri	3.06	Omega Telecom H	1.26
Prime metals	2.54	Vanguard Group	1.03

\*Latest public data

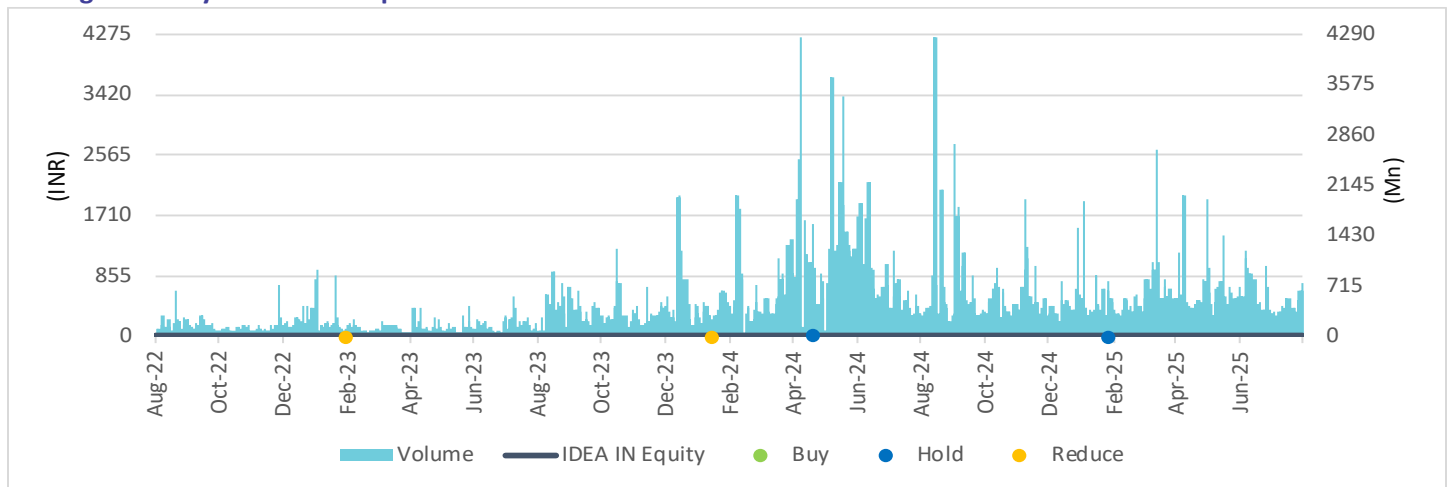
### Recent Company Research

Date	Title	Price	Reco
02-Jun-25	In-line results; all eyes on fund-raise; <i>Result Update</i>	7	Hold
13-Feb-25	Modest results as subs losses continue; <i>Result Update</i>	8	Hold
14-Nov-24	Sharp subscriber loss; challenges ahead; <i>Result Update</i>	7	Hold

### Recent Sector Research

Date	Name of Co./Sector	Title
06-Aug-25	Bharti Airtel	Steady numbers; strong FCF ; <i>Result Update</i>
25-Jul-25	Sterlite Tech.	Green shoots emerge in America; <i>Result Update</i>
18-Jul-25	TATA COMM	Digital continues to report solid growth; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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