

VODAFONE IDEA

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Underperformer
Price (INR)	10.2
12 month price target (INR)	10.0
52 Week High/Low	11/6
Market cap (INR bn/USD bn)	1,029/11.6
Free float (%)	33.1
Avg. daily value traded (INR mn)	8,492.3

SHAREHOLDING PATTERN

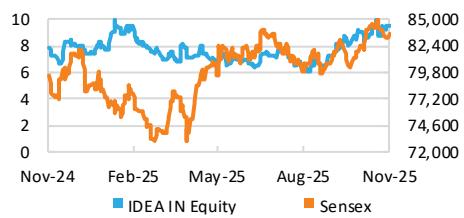
	Sep-25	Jun-25	Mar-25
Promoter	25.57%	25.57%	38.80%
FII	5.99%	5.98%	10.10%
DII	4.74%	4.14%	4.90%
Pledge	0.00%	0.00%	0.00%

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	436	462	556	658
EBITDA	181	200	287	366
Adjusted profit	(274)	(256)	(234)	(144)
Diluted EPS (INR)	(3.8)	(2.4)	(2.2)	(1.3)
EPS growth (%)	39.9	38.3	8.6	38.4
RoAE (%)	31.4	30.8	21.8	11.4
P/E (x)	nm	nm	nm	nm
EV/EBITDA (x)	18.0	17.4	12.7	9.9
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

Year to March	Revised estimates		% Revision	
	FY26E	FY27E	FY26E	FY27E
Revenue	462	556	(0.8)	(1.1)
EBITDA	200	287	(2.3)	(2.4)
Adjusted profit	(256)	(234)	3.4	(4.1)
Diluted EPS (INR)	(2.4)	(2.2)	3.4	(4.1)

PRICE PERFORMANCE



In line results; AGR breather from SC

Vodafone Idea (VIL) posted modest Q2FY26 results with revenue at INR111.9bn (+1.6% QoQ). The fall in subscriber base (-1.0mn QoQ) offset ARPU growth of +1.2% QoQ to INR167. EBITDA margin expanded 10bp QoQ to 41.9% while adjusted PAT loss was INR55.6bn. Capex intensity moderated to INR17.5bn versus INR24.4bn in Q1FY26 reflecting absence of debt funding and lower internal accruals.

Delay in debt funding continues to cloud visibility on VIL's revival while the Supreme Court's order to allow Gol to reconcile AGR dues up to FY16–17 came in as a big positive. We are tweaking FY26E/27E EBITDA by -2.3%/-2.4%. We continue to value VIL at 11x EV/EBITDA and roll forward to Sep-27E; retain 'HOLD' with a TP of INR10.0 (earlier INR7.0).

Decent growth with stable margins

Revenue grew +1.6% QoQ/+2.4% YoY to INR111.9bn, in line with Street's estimate of INR111.4bn. ARPU grew +1.2% QoQ/+7.1% YoY to INR167. VIL lost 1.0mn subscribers (versus 0.5mn in Q1FY26). 4G subscriber base increased 0.4mn QoQ to 127.8mn. Subscriber loss has moderated over last three quarters, as the company has improved its network coverage and rolled out 5G services. In some matured markets where introductory 5G plans were priced at INR299, they were revised to INR349, thereby aiding ARPU expansion in the absence of tariff hikes. EBITDA margin expanded 10bp QoQ to 41.9% supported by lower admin cost. Adjusted loss for the quarter was INR55.6bn (versus loss of INR66.1bn QoQ) – boosted by lower finance expense, in turn boosted by reversal of provisions and FX tailwind.

Balance sheet remains stretched; no signs of debt fund raise

Capex for Q2FY26 moderated to INR17.5bn (versus INR24.4bn in Q1FY26) due to cash crunch and limited visibility of debt funding. As of Sep-25, AGR dues including principal and interest amount were ~INR785bn. Management guided for FY26 capex to be in range of INR75–80bn, funded by current cash and internal accruals. The conversion of the government's stake and improved credit rating are aiding ongoing negotiations for funding debt. The company is in discussions with debt lenders to secure funding to support its long-term capex plans of INR500–550bn.

Situation improving; challenges remain

While the Supreme Court's order for reconciliation of AGR dues is a positive development, investor attention is primarily on the delayed debt fund-raise, which is crucial to support capex. While parameters such as pace of subscriber loss and ARPU are improving, balance sheet repair is crucial for VIL's survival; retain 'HOLD'.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	1,11,947	1,09,322	2.4	1,10,225	1.6
EBITDA	46,851	45,498	3.0	46,121	1.6
Adjusted Profit	(55,619)	(71,759)	(22.5)	(66,081)	(15.8)
Diluted EPS (INR)	(0.5)	(1.0)	(50.1)	(0.6)	(15.8)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	4,35,713	4,62,067	5,55,969	6,57,983
Gross profit	2,58,386	2,81,495	3,69,170	4,56,794
Employee costs	22,309	23,834	25,402	26,433
Other expenses	54,811	57,634	56,888	64,373
EBITDA	1,81,266	2,00,027	2,86,881	3,65,988
Depreciation	2,19,732	2,25,094	2,48,562	2,36,700
Less: Interest expense	2,45,434	2,36,998	2,78,533	2,79,633
Add: Other income	10,206	5,794	5,986	6,036
Profit before tax	(2,73,676)	(2,56,271)	(2,34,229)	(1,44,310)
Prov for tax	158	(60)	0	0
Less: Other adj	0	0	0	0
Reported profit	(2,73,834)	(2,56,211)	(2,34,229)	(1,44,310)
Less: Excp.item (net)	0	0	0	0
Adjusted profit	(2,73,834)	(2,56,211)	(2,34,229)	(1,44,310)
Diluted shares o/s	71,393	1,08,343	1,08,343	1,08,343
Adjusted diluted EPS	(3.8)	(2.4)	(2.2)	(1.3)
DPS (INR)	0	0	0	0
Tax rate (%)	0.1	0	0	0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Network exp as % of rev	21.7	20.6	18.0	16.0
Spect.&access exp/rev	19.0	18.4	15.6	14.6
Staff cost as % of rev	5.1	5.2	4.6	4.0
EBITDA margin (%)	41.6	43.3	51.6	55.6
Net profit margin (%)	(62.8)	(55.4)	(42.1)	(21.9)
Revenue growth (% YoY)	2.1	6.2	20.4	18.4
EBITDA growth (% YoY)	5.8	10.4	43.4	27.6
Adj. profit growth (%)	14.4	6.4	8.6	38.4

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	84.0	84.0	84.0
Subs Base (mn)	198.2	194.7	192.7	193.7
ARPU (INR)	156.8	173.4	211.4	250.9
MOU (mins)	610.0	620.0	599.0	613.0
Debtor days	17.6	17.8	18.2	17.1
Tax Rate (%)	(0.1)	0	0	0
Capex (INR mn)	1,08,402	1,21,900	1,60,000	80,000

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	nm	nm	nm	nm
Price/BV (x)	nm	nm	nm	nm
EV/EBITDA (x)	18.0	17.4	12.7	9.9
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	7,13,930	10,83,430	10,83,430	10,83,430
Reserves	(14,17,132)	(20,42,543)	(22,76,771)	(24,21,081)
Shareholders funds	(7,03,202)	(9,59,113)	(11,93,341)	(13,37,651)
Minority interest	0	0	0	0
Borrowings	22,60,961	25,61,023	25,76,023	25,51,023
Trade payables	1,48,093	1,48,218	1,36,952	1,56,075
Other liabs & prov	2,72,764	2,50,795	2,50,795	2,50,795
Total liabilities	19,78,666	20,00,969	17,70,475	16,20,288
Net block	5,61,956	6,15,453	6,45,829	6,08,067
Intangible assets	10,08,646	9,12,825	7,93,886	6,74,948
Capital WIP	24,716	9,465	9,465	9,465
Total fixed assets	15,95,318	15,37,742	14,49,181	12,92,480
Non current inv	72,953	72,204	72,204	72,204
Cash/cash equivalent	1,05,685	1,76,310	29,087	34,682
Sundry debtors	20,003	25,070	30,361	31,279
Loans & advances	0	0	0	0
Other assets	1,84,707	1,89,643	1,89,643	1,89,643
Total assets	19,78,666	20,00,969	17,70,475	16,20,288

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	(2,73,676)	(2,56,211)	(2,34,229)	(1,44,310)
Add: Depreciation	2,19,732	2,25,094	2,48,562	2,36,700
Interest (net of tax)	2,45,434	2,36,998	2,78,533	2,79,633
Others	(10,783)	57,393	(5,986)	(6,036)
Less: Changes in WC	(92,556)	(30,757)	(16,557)	18,205
Operating cash flow	92,906	2,32,457	2,70,324	3,84,193
Less: Capex	(1,08,402)	(1,21,900)	(1,60,000)	(80,000)
Free cash flow	(15,496)	1,10,557	1,10,324	3,04,193

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	31.4	30.8	21.8	11.4
RoCE (%)	(1.9)	(1.2)	3.0	10.4
Inventory days	nm	nm	nm	nm
Receivable days	18	18	18	17
Payable days	nm	nm	nm	nm
Working cap (% sales)	(49.7)	(39.9)	(30.2)	(28.3)
Gross debt/equity (x)	(3.2)	(2.7)	(2.2)	(1.9)
Net debt/equity (x)	(3.1)	(2.5)	(2.1)	(1.9)
Interest coverage (x)	(0.2)	(0.1)	0.1	0.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	39.9	38.3	8.6	38.4
RoE (%)	31.4	30.8	21.8	11.4
EBITDA growth (%)	5.8	10.4	43.4	27.6
Payout ratio (%)	nm	nm	nm	nm

Q2FY26 earnings call: Key highlights

- SC has permitted the Government of India to reconsider and recalculate the AGR dues and any interest and penalty pertaining to it.
- Subscriber loss was down and in moderate range led by increased network coverage and seasonality.
- The company is in discussions with debt lenders to secure funding to support its long-term capex plans of INR500–550bn.
- ~INR40bn additional capex is required for expanding network coverage to ~90%.
- Capex for FY26E is likely to be ~INR75–80bn, funded by internal accruals.
- As of Sep-25, AGR dues including principal and interest were ~INR790bn.
- In some matured markets where introductory 5G plans were priced at INR299, they were revised to INR349. Competitors' price package is ~INR349–379.
- Finance cost during the quarter came down due to reversals of provision on account of negotiations done with creditors and favourable forex movement.
- The company has launched 5G services across 17 priority circles, which contributes ~99% to revenue. The 5G services are available in 29 cities and aim is to expand it to more cities.
- 4G data capacity expanded by 38%, driving a 17% improvement in 4G speed during Q2FY26. The 4G population coverage is likely to increase to ~90% compared with ~84% currently.
- International roaming packs are now available across 150 countries across the world.
- VI business continues to grow healthy and witnessed demand traction in areas such as enterprise mobility, connectivity, cloud, IoT and cybersecurity.
- VIL experienced rapid adoption of AI powered CCaaS and expanded rapidly across key verticals including BFSI, BPO, manufacturing and consulting.

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Exhibit 1: Quarterly financial snapshot (INR mn)

Year to March	Q2FY26	Q1FY26	QoQ	Q2FY25	YoY	FY25	FY26E	FY27E	FY28E
Net revenues	1,11,947	1,10,225	1.6	1,09,322	2.4	4,35,713	4,62,067	5,55,969	6,57,983
Direct costs	44,589	44,106	1.1	44,232	0.8	1,77,344	1,80,600	1,86,830	2,01,221
Employee costs	6,072	5,435	11.7	5,854	3.7	22,309	23,834	25,402	26,433
Other operating costs	14,435	14,563	(0.9)	13,738	5.1	54,794	57,606	56,856	64,341
Total operating expenses	65,096	64,104	1.5	63,824	2.0	2,54,447	2,62,040	2,69,088	2,91,995
EBITDA	46,851	46,121	1.6	45,498	3.0	1,81,266	2,00,027	2,86,881	3,65,988
Depreciation	55,675	54,721	1.7	54,040	3.0	2,19,732	2,25,094	2,48,562	2,36,700
EBIT	-8,824	-8,600	2.6	-8,542	3.3	-38,466	-25,067	38,319	1,29,287
Interest	47,844	58,928	(18.8)	66,136	(27.7)	2,45,434	2,36,998	2,78,533	2,79,633
Other income	1,019	1,417	(28.1)	3,000	(66.0)	10,206	5,794	5,986	6,036
PBT	-55,649	-66,111	(15.8)	-71,681	(22.4)	-2,73,676	-2,56,271	-2,34,229	-1,44,310
Reported profit	-55,243	-66,081	(16.4)	-71,759	(23.0)	-2,73,834	-2,56,211	-2,34,229	-1,44,310
Adjusted profit	-55,619	-66,081	(15.8)	-71,759	(22.5)	-2,73,834	-2,56,211	-2,34,229	-1,44,310
Basic EPS	(0.5)	(0.6)	(19.0)	(1.0)	(50.5)	(3.8)	(2.4)	(2.2)	(1.3)
Diluted EPS	(0.5)	(0.6)	(19.0)	(1.0)	(50.5)	(3.8)	(2.4)	(2.2)	(1.3)

Source: Company, Nuvama Research

Exhibit 2: Quarterly key performance indicators

Particulars	Q2FY26	Q1FY26	QoQ	Q2FY25	YoY
ARPU (INR)	167	165	1.2%	156	7.1%
MOU	585	590	-0.8%	587	-0.3%
Total minutes (bn)	346.0	350.0	-1.1%	365.0	-5.2%
Data Volume (mn GB)	7,275	6,748	7.8%	5,992	21.4%
Data Subscribers (mn)	134.7	134.8	-0.1%	134.9	-0.1%
4G Data Subscribers (mn)	127.8	127.4	0.3%	125.9	1.5%
Total Subscribers (mn)	196.7	197.7	-0.5%	205.0	-4.0%
Total Broadband Sites	5,27,012	5,16,183	2.1%	4,39,599	19.9%

Source: Company, Nuvama Research

Exhibit 3: VIL valuation

INR mn	Avg FY27-28 EBITDA	Target EV/EBITDA	Target EV	Per Share
Mobile Business	3,26,434	11.0	35,90,778	33.1
Mobile Business Net Debt			25,11,601	23.2
Consolidated Equity Value			10,79,178	10.0

Source: Company, Nuvama Research

Exhibit 4: VIL debt profile

INR mn	FY24	FY25	FY26E	FY27E	FY28E
Gross Debt	24,38,092	25,14,826	24,08,485	24,98,485	25,88,485
Consol Cash	5,362	99,300	1,76,310	29,087	34,682
Net Debt	24,32,730	24,15,526	22,32,175	24,69,398	25,53,803
Net Debt excl AGR	17,29,530	17,12,326	15,28,975	17,66,198	18,50,603

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

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Additional Data

Management

CEO	Abhijit Kishore
CFO	Tejas Mehta
CTO	Jagbir Singh
COO	Ranjan Sharma
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	1.04

*Latest public data

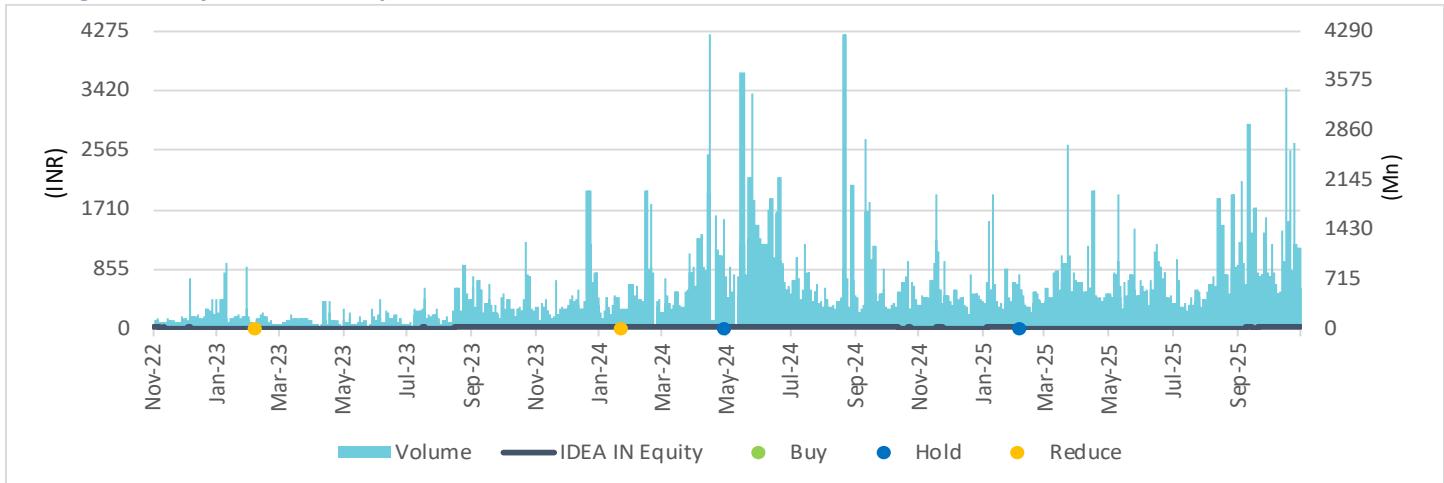
Recent Company Research

Date	Title	Price	Reco
18-Aug-25	Subs losses moderate; debt-raise still k; <i>Result Update</i>	6.46	Hold
02-Jun-25	In-line results; all eyes on fund-raise; <i>Result Update</i>	7.03	Hold
13-Feb-25	Modest results as subs losses continue; <i>Result Update</i>	8.39	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
06-Nov-25	Sterlite Tech.	Growth despite tariff headwinds; <i>Result Update</i>
04-Nov-25	Route Mobile	Growth headwinds persist; <i>Result Update</i>
04-Nov-25	Bharti Airtel	Solid performance, continuously improvin; <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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
