

bharti

Bharti Hexacom Limited



PROTECTING | INVESTING | FINANCING | ADVISING

Research Report

Bharti Hexacom Limited



Customer Obsessed
Performance Driven



Prepared By-

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About

- Incorporated in 1995, Bharti Hexacom Limited provides fixed-line telephone and broadband services to customers in Rajasthan and North East telecom circles.

- The company leads in Rajasthan and the Northeast with significant market shares. In Rajasthan, it holds around 40.4% of the revenue market and 35% of the customer market, while in the Northeast (including Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura)

- Bharti Hexacom is a subsidiary of Bharti Airtel, owning a 70% stake in the company.

- The company relies on a strong network infrastructure, comprising owned and leased assets.

Key Data Points

- Customer Base - 26,782
- ARPU - 197 Rs.
- Revenue per tower per month - 222,958 Rs

Synopsis of Financials

- **Consolidated revenue of ₹41,400 Crores, with India revenues at ₹31,500 Crores (up 8.7% sequentially).**
- **EBITDA margins improved to 54.8%, with operating free cash flow at ₹11,000 Crores.**
- **Capex for the quarter was ₹6,260 Crores.**
- **Net debt-to-EBITDA improved to 2.6 from 3.1 a year ago.**

Stock data (as 11th November 2024)

Nifty Price	: 24,141.30
52 week High (in Rs.)	: 1,568
52 week Low (in Rs.)	: 755
Market Cap. (in Crore)	: 68,740
NSE Code	: <u>BHARTIHEXA</u>

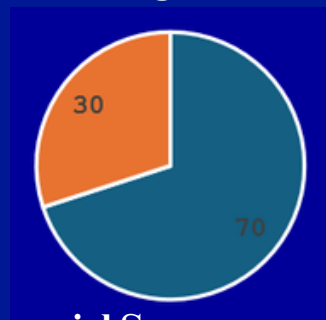
Stock data



-NIFTY50

-Bharti Hexacom

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	7,089	6,579	5,405
Sales Growth %	7.75%	21.72%	17.45%
Expenses	3,728	3,793	3,591
Operating Profit	3,361	2,786	1,814
OPM %	47%	42%	34%
Net Profit	504	549	1,675
EPS in Rs	10.09	21.97	66.98

Quarterly Results

Particular	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	1,732	1,682	1,738	1,801	1,868	1,911	2,098
Expenses	962	852	913	973	990	1,035	1,096
Operating Profit	770	830	826	828	878	876	1,002
OPM %	44%	49%	48%	46%	47%	46%	48%
Other Income	44	80	-246	62	49	358	49
Interest	149	154	156	169	166	162	175
Depreciation	395	414	432	433	460	496	536
Profit before tax	270	342	-8	288	301	577	340
Tax %	25%	26%	2322%	26%	26%	11%	25%
Net Profit	202	253	-184	213	223	511	253

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	March 31, 2024	March 31, 2023	% Variance
Current Ratio - [no. of times]	Current Assets	Current Liabilities	0.32	0.47	(32.7%)
Debt-equity Ratio - [no. of times]*	Non-Current borrowings (+) current borrowings (-) cash and cash equivalents	Equity	1.03	1.48	(30.0%)
Debt service coverage ratio - [no. of times]	Profit before depreciation, amortisation, finance costs, exceptional items and tax	Interest expenses (+) principal repayments of long-term debt (+) payment of lease liabilities	1.54	3.42	(55.1%)
Return on equity ratio - [no. of times]	Profit for the year	Average Equity	0.11	0.14	(18.3%)
Trade receivables turnover ratio - [no. of days]	Average trade receivables	Revenue from operations / no of days for the year	15	62	(75.4%)
Net capital turnover ratio - [no. of times]	Revenue from operations	Working Capital (i.e. Current assets – Current liabilities)	(1.38)	(2.03)	32.2%
Net profit ratio (%)	Profit for the year	Revenue from operations	7.1%	8.3%	(14.8%)
Return on capital employed (%)	EBIT	Average Capital Employed#	14.1%	10.7%	31.8%
Return on investment	Income generated from investments	Time weighted average investment	4.69%	5.02%	(6.5%)

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	250	250	250
Reserves	4,389	3,960	3,410
Borrowings	8,105	9,204	9,068
Other Liabilities	5,774	4,840	3,945
Total Liabilities	18,517	18,253	16,674
Fixed Assets	13,615	11,174	10,234
CWIP	444	1,936	64
Investments	238	1,046	49
Other Assets	4,220	4,097	6,328
Total Assets	18,517	18,253	16,674

Synopsis Quater Results

Con-Call Nov FY'24: Key Highlights

Organizational Changes:

- **Leadership Transition:** Gopal Vittal will transition to Vice-Chairman & MD in 2025, with Shashwat Sharma appointed as CEO designate, effective January 1, 2026.
- **Focus Areas for Gopal Vittal:** Mentoring Shashwat, driving synergy on digital, procurement, talent, and network strategy, scaling incubation areas like digital services, financial services, and data centers.

Customer Base & Market Trends:

Mobility Business:**

- Experienced a loss of 2.9 million customers due to SIM consolidation but saw a normalization with a reversal in customer adds (4.2 million smartphone customers added).
- ARPU increased to ₹233, with a focus on further tariff repairs to improve ROCE, currently at 11.2%.

Broadband Segment:**

- Added nearly 600,000 customers, with significant expansion in Fixed Wireless Access (FWA) and FTTH services across 2,000 cities.

DTH Segment:**

- Lost over 500,000 customers, attributed to seasonality; however, Airtel Black plans saw a 65% growth in customer base.

Strategic Initiatives:

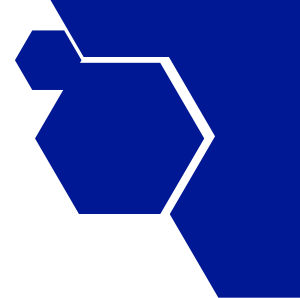
Network Expansion:**

- Rolled out 5,000 network sites and over 9,800 route kilometers of fiber.
- Achieved all five awards for 5G network experience from OpenSignal.

Digital Services Growth:**

- Airtel Finance has served over 1 million customers with an annualized loan disbursal rate of ₹3,000 Crores.
- Monthly transacting users for Payments Bank at 86 million, with an annualized revenue run rate of ₹2,600 Crores.

Revenue Highlights



Revenue from Operations

(Amount in ₹ Mn.)

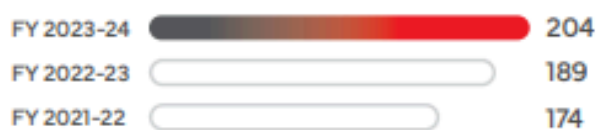
70,888



Average Revenue per User (Mobile)

(Amount in ₹)

204



EBITDA

(Amount in ₹ Mn.)

34,905



EBITDA Margin

(in %)

49.2



Net Profit

(Amount in ₹ Mn.)

5,044



Net Cash Flow from Operations

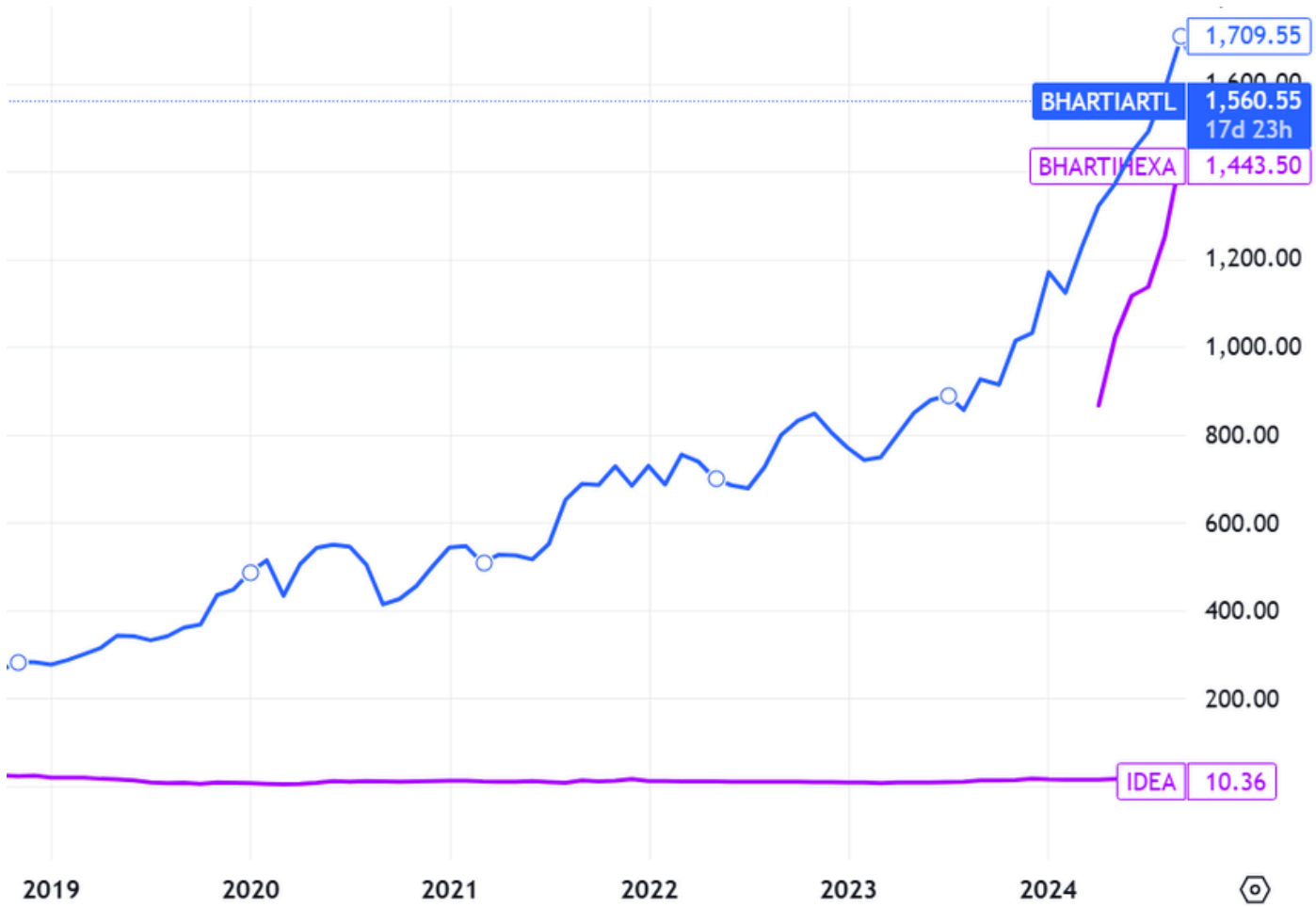
(Amount in ₹ Mn.)

35,461



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Bharti Airtel	1560.55	65.93	933848.33	0.52	4153.40	119.37	41473.30	11.96	13.13
2.	Bharti Hexacom	1374.80	73.14	68740.00	0.30	253.10	194.62	2097.60	20.66	13.98
3.	Vodafone Idea	7.83		54574.96	0.00	-6432.10	17.96	10508.30	-1.38	-3.61
4.	Tata Comm	1767.95	61.67	50386.63	0.95	227.27	-2.32	5767.35	18.37	17.55
5.	Tata Tele. Mah.	70.32		13747.06	0.00	-330.39	-6.50	343.50	19.76	47.91

Source: Screener

Final Outlook

BHARTIHEXA: BUY | LTP: 1,375

Bharti hexacom is the subsidiary of bharti airtel which have 70% stack in it. Due to this investor show positive sentiment and the share price is increased constantly since the company is listed in stock market. Company show strong financials and thier revenue is increasing QoQ in comaprison with their peers in the market. In current market situation their is a vast opportunity present because the Broadband services, fixed line services are still concentrated in Tier 1 city there is a lots of opportunity in tier 2 and tier 3 citys and even in villages also. Company also plan to expand their services in villages . According to me i recommend to BUY the share.

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