Bharti Hexacom Limited

Research Report

03 Oct, 2025

Rating	
Business	★★★★
Financials	★★★
Valuation	★★★★
Management	★★★★

Ranking 1 to 5 , denoting lowest to highest

FIN2RESEARCH
Investment Advisor Pvt. Ltd.

Company: Bharti Hexacom Ltd.
NSE Code: BHARTIHEXA
Sector: Telecom - Cellular & Fixed line services

Bharti Hexacom Limited

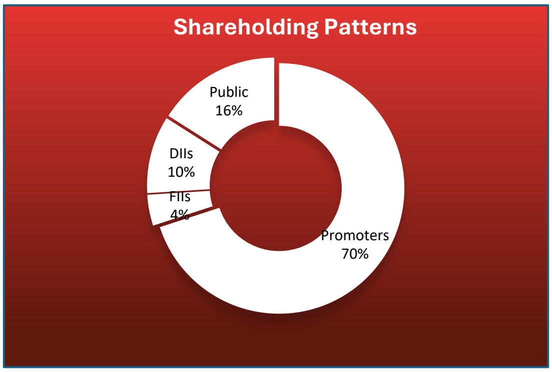
CMP: Rs.1638.00 | Buy Range: Rs.1623 – 1653 | Target 1/2: 1818/1965 | Potential Upside: 20% | Recommendation: Buy

Stock Info:	
Market Cap (Rs.in cr.)	84,760
52-Weeks High/Low	2053/1234
Avg. volume (Lakhs)	1.62
No. of eq. shares (cr.)	50
Face value	Rs.5
BSE code	544162
NSE Code	BHARTIHEXA
Free float (cr.)	12,699

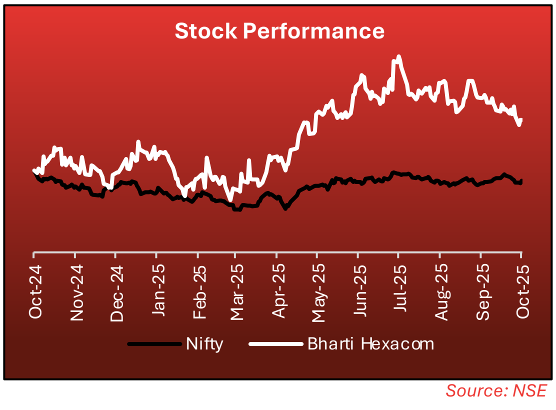
Source: NSE / BSE

Particulars	2024	2025
P/E	80.6	56.8
EPS (in Rs.)	10.1	29.9
ROCE	17.1%	18.4%
EBIT Margin	26.4%	26.7%
P/B	8.8x	14.3x
EV/EBITDA	14.5x	17.5x
EV/Revenue	9.0x	9.0x
ROE	10.9%	25.2%
Net Profit Margin	7.1%	17.5%

Source: Company



Source: Company, Annual report



Source: NSE

Bharti Hexacom Limited operates as a communications solutions provider, offering consumer mobile services, fixed-line telephony, and broadband services across Rajasthan and the North East telecom circles, covering Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura, under the brand Airtel. Its strategy is focused on premiumising the customer base by acquiring and retaining high-value subscribers, leveraging an omnichannel presence, and deploying data science to enhance customer experience. The company has expanded its digital offerings to strengthen engagement and drive differentiation through customised solutions such as family and converged plans under the Airtel Black proposition.

Key Highlights:

- Q1FY26 revenue stood at ₹2,263 Cr, with EBITDAaL at ₹1,079 Cr, translating to a margin of 47.7% (up 110 bps QoQ). Operating free cash flow (EBITDAaL minus capex) remained strong at ₹854 Cr. Net debt (ex-leases) was ₹2,806 Cr, with net debt/EBITDAaL at 0.7x. ARPU improved to ₹246, supported by mix enrichment and an extra day in the quarter. Management highlighted that despite gains in ARPU, customer base, and EBITDAaL margins, reported revenue was impacted by lower roaming revenues. Mobile customer net additions were 17,000, Home broadband subscribers rose by 54,000, and smartphone customers grew by 283,000. The home business continues to gain momentum.
- With robust cash generation and low leverage, the company is exploring higher dividend payouts and potential prepayment of liabilities. While some incremental capex is expected for site expansion and 5G rollout, management underscored that surplus funds and prudent capital allocation remain priorities.
- ARPU for the quarter was 246, benefiting from the continued mix improvement and one day extra in the quarter.
- Over the past year, the company commissioned 518 new towers to enhance both rural and urban coverage. Bharti Hexacom's total subscriber base reached 28.65 million as of June 2025.
- Given the less urbanized profile of Rajasthan and Northeast and Assam circles, Fixed Wireless Access (FWA) is expected to play a bigger role relative to Fiber-to-the-Home (FTTH). While terrain challenges limit fiber rollout, new residential and commercial developments are creating opportunities. Data usage per customer remains high (29 GB/month) due to lower Wi-Fi penetration, reinforcing mobile data reliance.
- Bharti Hexacom continues to leverage Airtel's digital ecosystem, including partnerships such as Perplexity AI and Google cloud storage. These initiatives are positioned as customer-experience enhancers rather than direct revenue drivers. The anti-spam solution, which has blocked 2.5 billion spam calls since launch, remains a strong differentiator.
- Hexacom remains aligned with Airtel Group's strategy of prioritizing quality customer acquisition and retention, supported by digital differentiation and value-added services. Management remains confident of sustaining margin expansion, generating strong cash flows, and deploying capital prudently. Growth will be driven by selective fiber rollout, FWA for rural coverage, digital partnerships for stickiness, and convergence offerings such as Airtel Black.

Key Risks:

- Geographic Concentration Risk: The Company derives its revenues primarily from Rajasthan and the North East circles, any adverse developments in these regions could materially impact its business, financial performance, and overall operations.

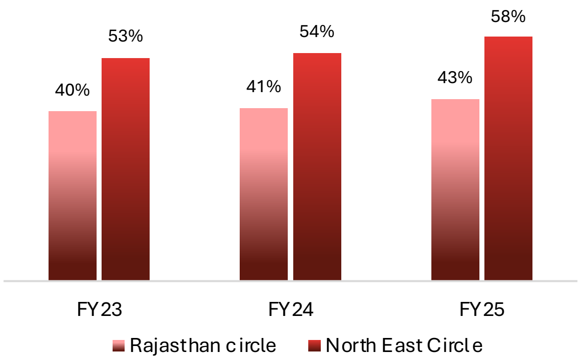
Rating: Buy | **Buying Range: Rs.1623 – 1653** | **Target 1/2: Rs.1818 / 1965** | **Potential Upside: 20%**

SWOT Analysis

Strengths

Bharti Hexacom is among leading mobile operator with strong revenue market share of 57.9% from North east and 43.1% from Rajasthan in FY25. Company operates under the globally recognized Airtel brand, enabling customer recall and pricing power.

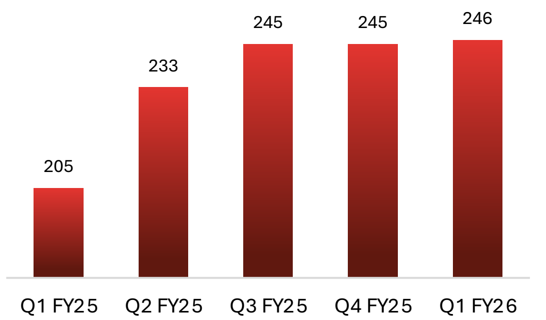
Revenue Market Share



Source: Company, Annual report

Hexacom is the industry leader on ARPU in both of its circles, driven by continued focus on premiumization.

ARPU (Rs.)

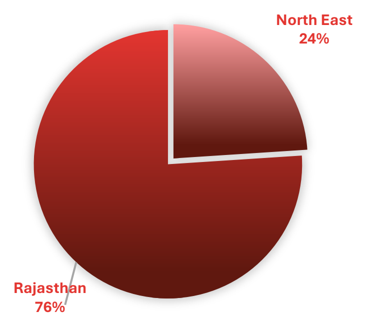


Source: Company, Annual report

Weaknesses

Bharti Hexacom is its limited geographic footprint, with operations confined to just two circles Rajasthan and the North East. While it enjoys strong market positions in both regions, this concentration exposes the company to region-specific risks such as slower economic growth, demographic constraints, lower per-capita income levels, and political or regulatory uncertainties unique to these markets.

The Rajasthan circle constitutes ~76% of its revenue and North East (NE) circle accounts for the rest.

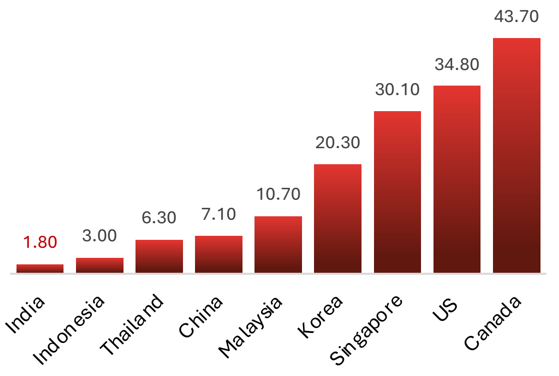


Source: TRAI financial reports

Opportunities

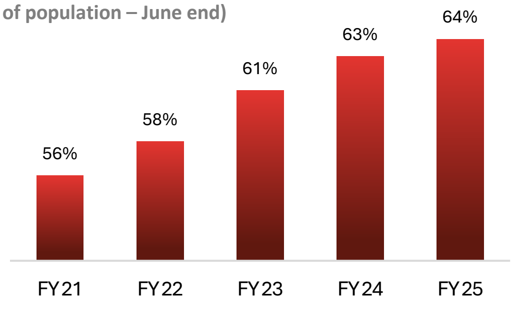
India's mobile ARPU remains well below global averages despite being among the highest in data consumption, underscoring the need for tariff rationalisation to meet evolving customer demands and sustain ongoing investments in networks and technology upgrades.

ARPU ($)



Rising smartphone adoption offers a significant revenue opportunity as customers migrate from feature phones to data-centric services.

Smartphone adoption in india
(% of population – June end)

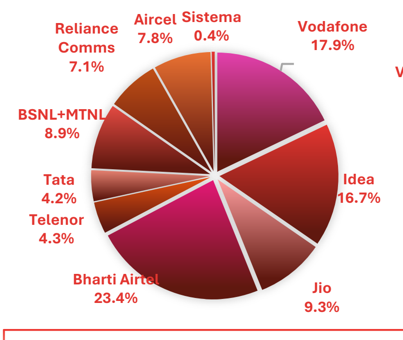


Source: GSMA Intelligence Services 2020

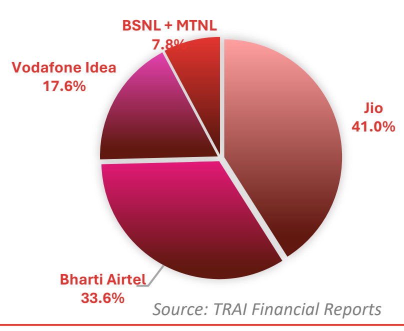
Threats

The entry of disruptive competitors could trigger sharp price erosion, posing risks to profitability. Aggressive competition from Reliance Jio and Vodafone Idea in pricing, network expansion, and bundling. Jio's low- cost strategy can pressure ARPUs in price-sensitive Rajasthan/NESA markets.

Revenue market share for the telecom industry was fragmented in FY17.



Revenue market share for the telecom industry has largely consolidated in FY25.



Source: TRAI Financial Reports

Disclaimer

RATING SCALE: DEFINITION OF RATINGS

• BUY –We expect the stock to deliver more than 10%-20% returns over the next 9 months.
• ACCUMULATE –We expect the stock to deliver 5% -12% returns over the next 9 months.
• REDUCE –We expect the stock to deliver 0% -5% returns over the next 9 months.
• SELL –We expect the stock to deliver negative returns over the next 9 months.
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• NOTE –Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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