

In-line and modest, steep capex and trivial FCF!

- Jio's Q4FY24 results were largely in-line and modest with Revenue/EBITDA/APAT growth of 11/ 11.5/13.2% YoY and 2.5/2.5/2.4% QoQ. Sub adds were healthy for 8th quarter at 10.9mn and ARPU was flat.
- VIL's fund raise is a potential risk not just to growth but also quasi-duopoly market structure. However, Jio's lead on 4G/5G networks and impending payout of VIL implies significant steep tariff hikes for industry and shall benefit jio more.
- Key triggers are 1) steep tariff hikes, 2) 5G pickup, 3) peak investments behind and 4) potential listing of Jio. Our Enterprise/Equity value for Jio is Rs 1,350/1,090 @ 11x FY26E EV/E (vs. Rs 1,190/935 @ 10x). Not rated.

Operationally healthy and moderate on P&L for FY24

Jio's subs addition was strong at 10.9mn (FY23/24 at 29.1/42.5mn). ARPU at Rs 181.7 was flat QoQ, despite being a day less and is thus healthy. The company ended FY24 with a muted ARPU of Rs 181.2 (+1.7% YoY). We believe Muted ARPU growth is due to 1) lack of tariff hike 2) BharatPhone launch impact and 3) healthy subs add. With VIL's fund raise we anticipate industry may accelerate market repair vs. fight for subs. Jio's Q4FY24 revenue/EBITDA/APAT grew by 11/ 11.5/13.2% YoY and 2.5/2.5/2.4% QoQ. EBITDA Margin stood at 52.4%, flat for 6th quarter. Jio ended FY24 with rev/EBITDA/APAT growth of 10.3/12.4/12.4% YoY.

.....BS a challenge

Jio's capex as per BS stood at Rs 584bn in FY24 vs. Rs 573bn in FY23 (excl. spectrum acquisition of Rs 880bn). Cash capex stood at Rs 490bn vs. 335bn YoY. Jio's capex intensity continues to remain significantly higher. Net debt increased by Rs ~88bn to Rs 2.11tn (incl. LL of Rs 126bn).

FCF stood at Rs -151bn in FY24 vs. +Rs 67bn in FY23. The YoY swing in FCF of Rs 218bn was driven by higher OCF of Rs 72bn but-offset by 1) higher capex of Rs 154bn 2) deferred spectrum payment of Rs 44bn and 3) higher finance costs of Rs 93bn. Steep capex, trivial FCF and high debt are key challenges for short-to-medium term perspective.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	2,59,590	2,33,940	11.0	2,53,680	2.3
Total Expense	1,23,470	1,11,840	10.4	1,20,910	2.1
EBITDA	1,36,120	1,22,100	11.5	1,32,770	2.5
Depreciation	55,660	49,820	11.7	54,110	2.9
EBIT	80,460	72,280	11.3	78,660	2.3
Other Income	1,220	1,050	16.2	1,450	(15.9)
Interest	10,040	10,060	(0.2)	10,160	(1.2)
EBT	71,640	63,270	13.2	69,950	2.4
Tax	18,270	16,110	13.4	17,837	2.4
RPAT	53,370	47,160	13.2	52,113	2.4
APAT	53,370	47,160	13.2	52,113	2.4
			(bps)		(bps)
Gross Margin (%)	90.0	89.6	39	89.6	35
EBITDA Margin (%)	52.4	52.2	24	52.3	10
NPM (%)	31.0	30.9	10	31.0	(1)
Tax Rate (%)	20.6	20.2	40	20.5	2
EBIT Margin (%)	25.5	25.5	4	25.5	0

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Exhibit 1: Actual vs. Estimates

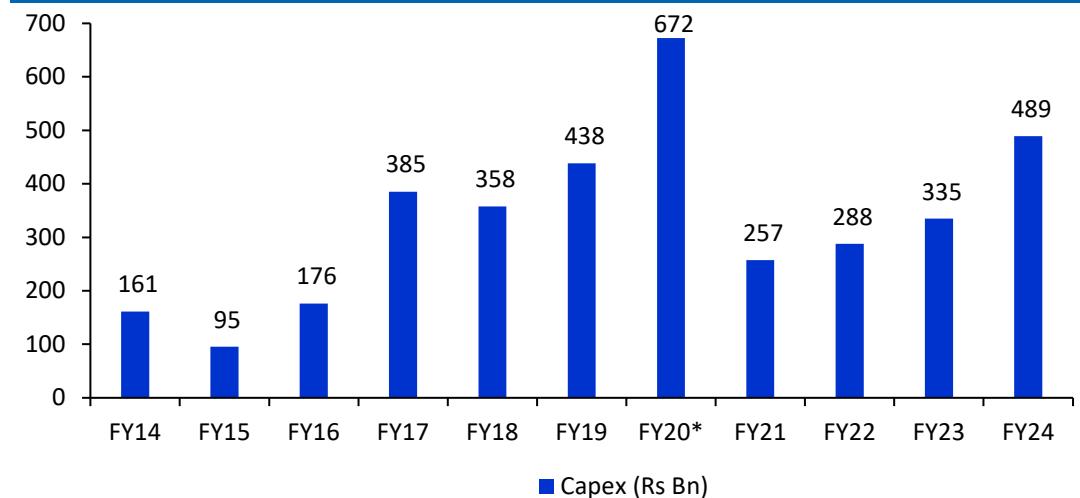
Particulars (Rs mn)	Actual	Estimate	Variance (%/bps)	Remark
Avg Subs (Mn)	476.4	476.9	(0.1)	
Closing Subs (Mn)	481.8	482.9	(0.2)	
ARPU (Rs)	181.7	180.6	0.6	
Net Sales (Rs Bn)	259.6	258.4	0.5	
EBITDA (Rs Bn)	136.1	134.7	1.0	
EBITDA Margin (%)	52.4	52.1	30	
APAT (Rs Bn)	53.4	52.3	2.0	

Source: Company, DART

Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY25E			FY26E			Remarks
	Old	New	Chg. (%)	Old	New	Chg. (%)	
Closing Subs (Mn)	508	512	0.7	532	538	1.0	
ARPU (Rs)	193	197	2.2	220	213	(3.1)	
Revenue (Rs Bn)	1,142	1,175	2.9	1,371	1,340	(2.2)	
EBITDA (Rs Bn)	604	638	5.7	747	739	(1.2)	
EBITDA Margin (%)	52.9	54.3	142	54.5	55.1	60	
APAT (Rs Bn)	240	265	10.5	339	318	(6.2)	

Source: Company, DART

Exhibit 3: Jio's Annual Cash Capex Trend


Source: Company, DART, *FY20 includes Rs 402bn adjustment towards creditors as per scheme of arrangement

Exhibit 4: Jio's Reported Cash Flows

Particulars (Rs bn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total FY14-24
Net Profit/(Loss) before tax	(0)	(0)	(0)	(0)	11	46	76	161	199	244	275	1,011
Dep./Finance costs/Others	0	0	0	0	54	96	126	146	179	238	249	1,088
Wcap change	(12)	(28)	(43)	(34)	(29)	(75)	(37)	19	(64)	(2)	30	(275)
Operating Cash Flow	(13)	(28)	(44)	(34)	36	67	166	326	313	481	553	1,823
Purchase of PPE	(161)	(95)	(176)	(385)	(358)	(438)	(672)	(257)	(288)	(335)	(489)	(3,656)
Investment/Loans	(11)	(3)	(3)	(1)	(1)	(1)	-	-	-	-	-	(20)
Purchase/(sale) of Invts.	0	(3)	3	0	(0)	(2)	(11)	14	(1)	1	(15)	(14)
Investing Cash Flow	(172)	(101)	(177)	(386)	(359)	(442)	(684)	(243)	(289)	(334)	(505)	(3,691)
Equity Capital Issuance	179	71	150	-	-	-	-	-	-	-	-	399
Preference Capital Issuance/(redemption)	(26)	72	-	337	313	-	1,250	-	-	-	-	1,945
Borrowings	37	(0)	103	141	102	460	(551)	(120)	120	(66)	128	354
Finance Costs	(4)	(13)	(33)	(58)	(85)	(92)	(110)	(31)	(144)	(79)	(171)	(821)
Financing Cash Flow	185	129	220	420	330	368	588	(152)	(24)	(145)	(44)	1,877
Change in Cash & CE	0	(0)	(0)	0	7	(7)	70	(69)	0	2	5	10
FCF (OCF + PPE + Finance costs)	(178)	(137)	(253)	(478)	(407)	(463)	(617)	37	(119)	67	(107)	(2,654)

Source: Company, DART

Exhibit 5: Quarterly Financial Snapshot

(Rs Mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% YoY	% QoQ
Revenue	2,09,010	2,18,730	225,210	229,980	233,940	2,40,420	2,47,500	2,53,680	2,59,590	11.0	2.3
Access Costs	1,900	2,570	1,890	2,200	2,820	3,210	2,990	3,020	2,130	(24.5)	(29.5)
Net revenue	2,07,110	2,16,160	223,320	227,780	231,120	2,37,210	2,44,510	2,50,660	2,57,460	11.4	2.7
License fees	25,040	25,360	23,210	21,200	21,550	22,040	22,900	23,300	23,890	10.9	2.5
Network Costs	65,330	68,420	71,810	72,270	72,240	73,790	76,070	77,060	78,660	8.9	2.1
Employee Costs	3,680	3,690	4,280	4,000	4,370	4,420	4,680	5,030	4,830	10.5	(4.0)
S&D	3,100	3,620	4,340	4,980	5,280	5,390	5,770	6,730	7,040	33.3	4.6
Other expenses	4,860	5,430	4,790	5,240	5,580	5,790	5,560	5,770	6,920	24.0	19.9
Operating Costs	1,02,010	1,06,520	108,430	107,690	109,020	1,11,430	1,14,980	1,17,890	1,21,340	11.3	2.9
EBITDA	1,05,100	1,09,640	114,890	120,090	122,100	1,25,780	1,29,530	1,32,770	1,36,120	11.5	2.5
D&A	37,440	42,310	45,230	48,100	49,820	51,590	52,580	54,110	55,660	11.7	2.9
Int. & Fin. charge	12,180	9,970	10,160	10,400	10,060	9,710	10,080	10,160	10,040	(0.2)	(1.2)
Other Income	440	820	1,120	630	1,050	850	1,060	1,450	1,220	16.2	(15.9)
PBT	55,920	58,180	60,620	62,220	63,270	65,330	67,930	69,950	71,640	13.2	2.4
Tax	14,190	14,830	15,440	15,840	16,110	16,700	17,350	17,870	18,270	13.4	2.4
APAT	41,730	43,350	45,180	46,380	47,160	48,630	50,580	52,080	53,370	13.2	2.4

Source: Company, DART

Exhibit 6: Margin Analysis (%)

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY bps	QoQ bps
Access Costs	0.9	1.2	0.8	1.0	1.2	1.3	1.2	1.2	0.8	(38)	(37)
License fees	12.0	11.6	10.3	9.2	9.2	9.2	9.3	9.2	9.2	(1)	2
Network Costs	31.3	31.3	31.9	31.4	30.9	30.7	30.7	30.4	30.3	(58)	(8)
Employee Costs	1.8	1.7	1.9	1.7	1.9	1.8	1.9	2.0	1.9	(1)	(12)
S&D	1.5	1.7	1.9	2.2	2.3	2.2	2.3	2.7	2.7	45	6
Other expenses	2.3	2.5	2.1	2.3	2.4	2.4	2.2	2.3	2.7	28	39
Operating Costs (ex-Access)	48.8	48.7	48.1	46.8	46.6	46.3	46.5	46.5	46.7	14	27
EBITDA	50.3	50.1	51.0	52.2	52.2	52.3	52.3	52.3	52.4	24	10
D&A	17.9	19.3	20.1	20.9	21.3	21.5	21.2	21.3	21.4	15	11
Interest costs	5.8	4.6	4.5	4.5	4.3	4.0	4.1	4.0	3.9	(43)	(14)
Other Income	0.2	0.4	0.5	0.3	0.4	0.4	0.4	0.6	0.5	2	(10)
PBT	26.8	26.6	26.9	27.1	27.0	27.2	27.4	27.6	27.6	55	2
Tax	6.8	6.8	6.9	6.9	6.9	6.9	7.0	7.0	7.0	15	1
APAT	20.0	19.8	20.1	20.2	20.2	20.2	20.4	20.5	20.6	40	2
LF as % of NR	12.1	11.7	10.4	9.3	9.3	9.3	9.4	9.3	9.3	(5)	(2)
Tax as % of PBT	25.4	25.5	25.5	25.5	25.5	25.6	25.5	25.5	25.5	4	0

Source: Company, DART

Exhibit 7: Quarterly Operational Snapshot

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% YoY	% QoQ
Closing Subs (Mn)	410.2	419.9	427.6	432.9	439.3	448.5	459.7	470.9	481.8	9.7	2.3
Gross Adds (Mn)	35.5	35.2	32.7	34.2	33.2	33.2	34.4	34.9	32.3	(2.7)	(7.4)
Churn (Mn)	46.3	25.5	25.0	28.9	26.8	24.0	23.2	23.7	21.4	(20.1)	(9.7)
Net Adds (Mn)	(10.8)	9.7	7.7	5.3	6.4	9.2	11.2	11.2	10.9	70.3	(2.7)
Monthly Churn (%)	3.71	2.05	1.97	2.24	2.05	1.80	1.70	1.70	1.50	(55)	(20)
ARPU (Rs)	167.6	175.7	177.2	178.2	178.8	180.5	181.7	181.7	181.7	1.6	-
Data Usage (Mn GB)	24,600	25,900	28,200	29,000	30,300	33,200	36,300	38,100	40,900	35.0	7.3
Data Usage/Sub (GB/Month)	19.7	20.8	22.2	22.5	23.2	24.9	26.6	27.3	28.6	23.6	4.9
Minutes of Usage (Bn Mins)	1,200	1,250	1,230	1,270	1,310	1,340	1,330	1,370	1,440	9.9	5.1
MOU/Sub (Mins)	962	1,004	968	984	1,001	1,006	976	981	1,008	0.6	2.7

Source: Company, DART

Exhibit 8: Key Model Assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Closing Subs (Mn)	306.7	387.5	426.2	410.2	439.3	481.8	511.8	537.8
Net Additions (Mn)	120.1	80.8	38.7	(16.0)	29.1	42.5	30.0	26.0
ARPU (Rs)	137.4	132.1	143.1	153.4	178.1	181.2	197.1	212.8
Data Usage (Mn GB)	32,330	47,866	61,160	91,300	113,400	1,48,500	1,78,425	2,04,747
Data Usage/Sub (MBs)	10.92	11.49	12.53	18.19	22.25	26.87	29.93	32.51
Minutes of Usage (bn Mins)	2,341	3,301	3,830	4,504	5,060	5,480	6,083	6,556
MOU/Sub (Mins)	791	793	784	897	993	992	1,020	1,041
Revenue (Rs bn)	406.6	550.2	698.9	769.8	907.9	1,001.2	1,175.0	1,340.0
EBITDA (Rs bn)	151.0	222.7	309.1	376.3	466.7	524.2	638.1	738.6
EBITDA Margin (%)	37.1	40.5	44.2	48.9	51.4	52.4%	54.3%	55.1%
Chg YoY/bps (%)								
Closing Subs (Mn)	64.4	26.3	10.0	(3.8)	7.1	9.7	6.2	5.1
ARPU (Rs)	(4.9)	(3.9)	8.4	7.2	16.1	1.7	8.8	8.0
Data Usage (Mn GB)	145.9	48.1	27.8	49.3	24.2	31.0	20.2	14.8
Data Usage/Sub (MBs)	15.9	5.2	9.0	45.2	22.3	20.8	11.4	8.6
Minutes of Usage (Bn Mins)	151.9	41.0	16.0	17.6	12.3	8.3	11.0	7.8
MOU/Sub (Mins)	18.7	0.2	(1.0)	14.4	10.6	(0.1)	2.9	2.0
Revenue (Rs bn)	101.8	35.3	27.0	10.1	17.9	10.3	17.4	14.0
EBITDA Margin (Rs bn)	124.3	47.5	38.8	21.7	24.0	12.3	21.7	15.8

Source: Company, DART

Exhibit 9: Valuation Snapshot

Particulars	Amount (Rs bn)	Target multiple	EV (Rs bn)	Value per share (Rs)
FY26E EBITDA	739	11.0	8,125	1,195
CWIP in FTTH/Enterprise	779	0.50	392	58
Intangible assets under development	1,296	0.50	648	95
Enterprise Value			9,165	1,350
(-) FY26E Net debt			1,797	264
Equity Value			7,368	1,090

Source: Company, DART

Financial Performance

Income Statement

(Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	406.6	550.2	698.9	769.8	907.9	1,001.2	1,175.0	1,340.0	1,567.3
Growth (%)	101.8	35.3	27.0	10.1	17.9	10.3	17.4	14.0	17.0
Net Access costs	60.3	58.0	46.3	8.1	9.5	11.4	11.7	13.4	15.7
Net revenue	346.3	492.3	652.6	761.7	898.4	989.8	1,163.2	1,326.6	1,551.7
Growth (%)	118.3	42.1	32.6	16.7	17.9	10.2	17.5	14.0	17.0
License fee	41.6	57.2	77.6	90.7	91.3	92.1	108.1	123.3	144.2
LF as % of NR	12.0	11.6	11.9	11.9	10.2	9.3	9.3	9.3	9.3
Network & IT costs	113.4	169.3	220.6	250.1	284.7	305.6	334.8	369.6	407.9
Employee costs	16.6	14.6	13.4	14.2	16.3	19.0	23.5	26.8	31.3
SG&A	11.5	12.8	11.7	11.0	18.2	24.9	29.4	33.5	39.2
Other Expenses	12.3	15.6	20.2	19.3	21.0	24.0	29.4	34.8	43.1
Total Opex	153.8	212.3	265.9	294.7	340.3	373.5	417.1	464.7	521.6
EBITDA	151.0	222.7	309.1	376.3	466.7	524.2	638.1	738.6	885.9
EBITDA (%)	37.1	40.5	44.2	48.9	51.4	52.4	54.3	55.1	56.5
EBITDA Growth (%)	124.3	47.5	38.8	21.7	24.0	12.3	21.7	15.8	19.9
Depreciation	64.0	74.0	115.3	136.2	185.5	213.9	242.8	272.7	309.1
EBIT	87.0	148.8	193.8	240.2	281.3	310.3	395.3	465.9	576.9
Other Income	0.1	0.9	5.5	2.3	3.6	4.6	4.8	4.9	4.9
Interest	41.5	66.2	38.4	43.8	40.6	40.0	43.8	44.4	41.8
PBT	45.6	83.5	160.9	198.7	244.3	274.9	356.3	426.4	540.0
Tax	15.9	19.3	40.7	50.5	62.2	70.2	90.9	108.7	137.7
APAT	29.6	64.1	120.2	148.2	182.1	204.7	265.5	317.7	402.3
APAT Growth (%)	310.0	116.3	87.4	23.3	22.9	12.4	29.7	19.7	26.6

E: Estimate

Balance Sheet

(Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS									
Equity Share Capital	450	450	450	450	450	450	450	450	450
Preference Share Capital	-	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Reserves	(46)	10	130	278	460	664	929	1,247	1,649
Total Shareholders' Funds	404	1,710	1,830	1,978	2,160	2,364	2,629	2,947	3,349
Long term debt	756	135	155	224	278	468	424	269	130
Short term debt	521	282	189	324	444	422	364	297	251
Deferred spectrum payment	202	188	188	372	1,173	1,128	1,115	1,101	835
Lease Liabilities	-	-	-	100	137	126	132	139	146
Total Debt	1,479	605	532	1,020	2,032	2,145	2,035	1,805	1,362
Other non-current liabilities	-	-	25	77	142	215	205	196	187
SOURCES OF FUNDS	1,883	2,315	2,387	3,074	4,334	4,724	4,870	4,948	4,899
APPLICATION OF FUNDS									
Net Block	1,686	1,847	1,881	2,644	3,912	4,282	4,389	4,466	4,457
Other non-current assets	136	286	395	251	249	261	274	300	300
Total Non-current Assets	1,823	2,133	2,277	2,895	4,161	4,543	4,663	4,766	4,757
Cash & Equivalents	6	89	10	12	14	39	50	8	(51)
Other Current Assets	129	196	214	278	283	292	315	339	367
Total Current Assets	135	284	224	290	297	331	365	348	316
Total Current Liabilities	74	102	114	111	124	150	158	166	174
Net Current Assets	61	182	111	179	173	181	207	182	141
APPLICATION OF FUNDS	1,883	2,315	2,387	3,074	4,334	4,724	4,870	4,948	4,899

E: Estimate

Cash Flows

(Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PAT	30	64	120	148	182	205	265	318	402
Net interest expense	41	66	38	44	41	40	44	44	42
Depreciation	64	74	115	136	185	214	243	273	309
WC Chg & others	64	(39)	(7)	(67)	9	17	(15)	(17)	(19)
OPERATING CF (a)	199	166	267	261	417	476	537	618	735
Capex	505	(235)	(150)	(899)	(1,453)	(584)	(350)	(350)	(300)
Free cash flow (FCF)	704	(69)	117	(638)	(1,037)	(108)	187	268	435
Investments	(53)	(149)	(84)	196	67	61	(22)	(36)	(9)
INVESTING CASH FLOW (b)	452	(384)	(234)	(703)	(1,386)	(523)	(372)	(386)	(309)
Debt Issuance	41	(874)	(73)	487	1,013	113	(109)	(230)	(443)
Interest expenses	(41)	(66)	(38)	(44)	(41)	(40)	(44)	(44)	(42)
FCFE	650	(1,159)	(79)	2	3	25	11	(42)	(59)
Share capital Issuance	(655)	1,241	0	(0)	-	(1)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
FINANCING CASH FLOW (c)	(655)	301	(112)	444	972	72	(153)	(274)	(485)
NET CASH FLOW (a+b+c)	(5)	83	(79)	2	3	24	11	(42)	(59)
Closing Cash & Equivalents	6	89	10	12	14	39	50	8	(51)

E: Estimate

Key Ratios

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)									
EBITDA Margin	37.1	40.5	44.2	48.9	51.4	52.4	54.3	55.1	56.5
EBIT Margin	21.4	27.0	27.7	31.2	31.0	31.0	33.6	34.8	36.8
APAT Margin	7.3	11.7	17.2	19.2	20.1	20.4	22.6	23.7	25.7
RoE	4.1	6.1	6.8	7.8	8.8	9.0	10.6	11.4	12.8
RoIC (or Core RoCE)	2.6	5.6	6.3	6.6	5.7	5.1	6.2	7.1	8.7
RoCE	2.6	5.4	6.2	6.6	5.7	5.1	6.1	7.1	8.7
EFFICIENCY									
Tax Rate (%)	34.9	23.2	25.3	25.4	25.5	25.5	25.5	25.5	25.5
Fixed Asset Turnover (x)	0.2	0.3	0.4	0.3	0.3	0.2	0.3	0.3	0.4
Other Current Assets (days)	116.2	129.9	111.9	131.9	113.7	106.5	97.8	92.5	85.4
CL & Provisions (days)	66.7	67.8	59.4	52.5	49.9	54.8	49.1	45.2	40.6
Cash Conversion Cycle (days)	49.4	62.1	52.5	79.4	63.8	51.7	48.7	47.3	44.7
Net D/E (x)	3.6	0.3	0.3	0.5	0.9	0.9	0.8	0.6	0.4
Net D/EBITDA (x)	9.8	2.3	1.7	2.7	4.3	4.0	3.1	2.4	1.6
Interest Coverage (x)	2.1	2.2	5.0	5.5	6.9	7.8	9.0	10.5	13.8
PER SHARE DATA (Rs)									
EPS	0.7	1.4	2.7	3.3	4.0	4.5	5.9	7.1	8.9
CEPS	2.1	3.1	5.2	6.3	8.2	9.3	11.3	13.1	15.8
Dividend	-	-	-	-	-	-	-	-	-
Book Value	9.0	38.0	40.7	44.0	48.0	52.5	58.4	65.5	74.4

E: Estimate

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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