

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Operations / Miss on Regulatory Outcome **One-line:** VIL has successfully transitioned from "survival" to "restart," but the thesis remains hostage to a regulatory stalemate; the July tariff hike successfully lifted ARPU but triggered a painful 5-million subscriber exodus to BSNL, making network parity an urgent necessity rather than a long-term goal.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue and ARPU grew on tariff hike; capex restart in line with post-FPO plans.	□
Earnings Quality	Low	Net Loss of ₹7,180 Cr; finance costs remain volatile due to FX and MTM accruals.	□
Guidance Confidence	Neutral	₹500-550B capex plan is firm, but timing of bank debt tie-up is now "simultaneous" with govt clarity.	□
Management Credibility	Neutral	Delivered mega-vendor deals (₹30,000 Cr), but unable to stem 4G subscriber churn despite tower adds.	□
Business Quality Signal	Deteriorating	Loss of "Value" subscribers to BSNL suggests VIL's price-value equation is weakening at the low end.	□
Key Q&A Exchange	Q4 - Bank Debt Tie-up	Banks are in "wait and watch" mode following the AGR curative dismissal; funding is now linked to govt relief.	□
The Street's Primary Anxiety	BSNL Churn	Analysts focused on the 5.1M sub loss; mgmt admitted BSNL gained due to non-participation in hikes.	□
Capital Cycle Stage	Investment	Massive capex cycle kick-started; added 42,000 4G sites in Q2 (company record).	□
Margin Trajectory	Improving	EBITDA margins (pre-Ind AS 116) rose to 21.3%; highest since merger.	□
Pricing Power	Eroding at low end	Successfully hiked tariffs, but price elasticity resulted in significant volume (subscriber) loss.	□
FCF Conversion & Quality	Distorted	Cash burn continues; cash balance dropped to ₹13,620 Cr from ₹18,150 Cr last quarter.	□
Competitive Moat Signals	Shrinking	Lacking 5G while peers offer it "free" is causing high-usage data consumers to migrate.	□
Balance Sheet Strength	Stressed	Total Govt. debt at ₹212,300 Cr; bank debt reduced but bank guarantees (₹24,000 Cr) remain an obstacle.	□
Working Capital Efficiency	Stable	Vendor settlements with Nokia/Ericsson finalized; supply chain moving to "delivery" mode.	□
Mgmt Guidance Track	Mixed	4G coverage target (1.1Bn by Mar-25) is on track, but AGR relief timeline is completely opaque.	□
Key Vulnerability	Regulatory Binary	Entire equity value hinges on Govt. supporting AGR relief post-Supreme Court dismissal.	□
Management Tone	Resilient/Cautious	Shifted from post-FPO euphoria to the sobering reality of BSNL competition and regulatory hurdles.	□

Key Takeaways: * **Positives:** Successfully raised ARPU by 7.8% QoQ (ex-M2M); kicked off a ₹30,000 Cr equipment deal with global vendors; 4G data capacity increased 14% via "quick-win" capex; Highest EBITDA since merger (₹2,320 Cr). * **Negatives:** The Supreme Court's dismissal of the AGR curative petition is a major blow to the bull case; Total subscriber base fell to 205M (loss of 5.1M); 4G subscriber base fell for the first time in 12 quarters (to 125.9M); BSNL is now a legitimate threat at the entry-level. * **The Street's Concern:** Will the bank debt (₹35,000 Cr) ever close? Management admitted that banks are waiting for clarity on Govt. support for the AGR issue, creating a circular dependency. * **Forward Watchpoint:** The Ministry's decision on the bank guarantee (BG) waiver and the potential for a "shortfall conversion" of spectrum/AGR dues into equity in FY26.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall used for ex-M2M ARPU and cash burn context.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	₹10,930 Cr	↑ 2.0%	↑ 4.0%	↑	Growth driven by July tariff hike; realization led.
Reported EBITDA	₹4,550 Cr	↑ 6.3%	↑ 8.2%	↑	Highest quarterly EBITDA post-merger; margin 41.6%.
Cash EBITDA (Adj)	₹2,320 Cr	↑ 12.6%	↑ 10.5%	↑	Pre-IndAS 116; reflects improved operational leverage.
Capex	₹1,360 Cr	Not in doc	↑ 78.9%	↑	Quick-win capex complete; H2 guidance is ₹8,000 Cr.
Net Bank Debt	₹3,250 Cr	↓ 58.5%	↓ 30.1%	↑	Sharp reduction via FPO proceeds; total bank debt + OCD.
Consumer ARPU (Blended)	₹166	↑ 16.9%	↑ 13.7%	↑	Driven by tariff hikes and customer mix (upgrading to 4G).
4G Subscribers	125.9 Mn	↑ 1.0%	↓ 0.6%	↓	First decline in 3 years; impacted by BSNL migration.
Total Subscribers	205.0 Mn	↓ 6.7%	↓ 2.4%	↓	Loss of 5.1M subs; high churn due to tariff arbitrage.
Pop. Coverage (4G)	1,050 Mn	↑ 2.4%	↑ 1.9%	↑	Targeting 1.1Bn by Mar-25 and 1.2Bn by Sep-25.
Data Usage/Cust (GB)	15.6 GB	↓ 2.5%	↓ 2.5%	↓	Drop due to loss of high-usage subs to 5G/BSNL.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Enterprise (Vi Business)	Not in doc	Not in doc	Not in doc	↑	Outperforming	Pivot to CCaaS/SD-WAN; PayU partnership for MSME.
Postpaid	Not in doc	Not in doc	Not in doc	↑	High Value	Grew retail base; RED X plan refreshed (₹1,201).
Digital Services	Not in doc	Not in doc	N/A	↑	N/A	Vi Movies & TV now a paid subscription on Smart TV.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Full impact of tariff hike in 2 quarters.	Needs ~₹400-500 Cr incremental rev in Q3 to hit target efficiency.	Delivered (Q2 ARPU jump)	Neutral
Guidance	Capex Plan	₹8,000 Cr in H2 FY25 (Oct-Mar).	Requires ₹1,333 Cr/month; currently at ~₹450 Cr/month.	Missed prior (Q2 low)	High (Logistics)
Guidance	Network	1.1 Billion population coverage by Mar-25.	Adding 50M people in 6 months; feasible with new vendor deals.	Improving	Low
Guidance	5G Rollout	Q4 FY25 start in key geographies.	Needs 5G equipment deployment in next 120 days.	First entry	High (Bank debt)
Strategy	Debt Tie-up	₹35,000 Cr debt + BG waiver.	Banks waiting for "AGR clarity"; timeline is now open-ended.	Delayed vs Q1 target	Critical
Macro	BSNL Threat	Churn will reverse post-experience gap.	Depends on BSNL 4G rollout speed vs VIL experience improvements.	Deteriorated	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Sanjesh Jain / ICICI	Sub loss turnaround	Business Overview	"When do you think that we will stop the customer losses and... trending into a positive territory?"	Management expects the trajectory to turn around by the end of this financial year (Mar-25) as capex investments take effect. This implies two more quarters of "leaky bucket" operations; subscriber stabilization is the primary pre-requisite for a valuation re-rating.	Exact monthly run-rate.	3.5	Directional caution
1a	4.5	Sanjesh Jain / ICICI	BSNL Impact	Business Overview	"We did the largest 4G expansion... and yet we have lost 4G customers in this quarter. How does this carry?"	Management admitted BSNL benefited from not hiking tariffs, but claimed port-outs to them are declining post-August. If BSNL's 4G rollout stays slow, VIL recovers; if BSNL accelerates, VIL's entry-level base is permanently at risk.	Churn target %	4.0	Cautious optimism
2	4.0	V. Subbaraman / Ambit	ARPU vs Hike	Financials	"The reconciliations between the 16% theoretical price increase and actual	CFO explained that 3.5% of revenue (Enterprise/ M2M) had no hike, plus lags in	None	4.5	High clarity

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					8% ARPU increase..."	postpaid and long-validity renewals account for the delta. This confirms revenue growth will be "staggered" over Q3 and Q4 rather than a one-time step up.			
3	5.0	V. Subbaraman / Ambit	Debt & AGR	Financials	"How important is it for you to secure a BG waiver or get legislative relief on the AGR amounts to raise debt funding?"	Management admitted banks are in a "wait and watch" mode post-Supreme Court dismissal, despite AGR relief not being in the original business plan. This signals a funding deadlock; the ₹35,000 Cr loan is unlikely to close without a clear signal of support from the Ministry.	Plan B if Govt says no.	2.5	Defensive/ Hedged
4	4.0	Saurabh Handa / Citi	Default Risk	Financials	"Is it fair to assume that a default situation would be that the government converts dues to equity?"	Management confirmed that the 2021 reforms package provides for conversion of "shortfall" payments into equity, and disclosure was added	Quantum of conversion.	4.0	Prudent signal

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						as the moratorium ends in 12 months. This is a massive dilutive overhang; VIL is effectively signaling it cannot pay the FY26 dues in cash.			
5	3.5	Gaurav Malhotra / Axis	Bank Guarantees	Financials	"How much is the quantum of bank guarantees... and what is the cost?"	Quantum is ₹24,000 Cr; mgmt argues that since BGs are scrapped for future auctions, they should be scrapped for past ones to free up bank limits for capex debt. This is a technical hurdle; without a BG waiver, VIL's "debt headroom" is severely restricted.	Govt response.	3.0	Regulatory hope

PATTERN FLAGS & SENTIMENT * **The BSNL "Arbitrage" Anxiety:** Analysts are deeply worried that VIL has lost its "budget" floor. Management's defense—that customers will return once they realize BSNL's network experience is inferior—is a "bet on the competitor's failure" rather than VIL's own strength. * **The Funding Deadlock:** The Q&A revealed a significant shift: bank funding is now "simultaneously" linked to AGR clarity. This contradicts earlier claims that the FPO alone would unlock bank debt. * **Shortfall Conversion:** For the first time, management explicitly highlighted the "shortfall conversion" clause in the financial notes. This is a tacit admission that cash flows in FY26 will not suffice for Govt. dues.

Analyst Sentiment Verdict: Skeptical and Defensive. Analysts have moved from "congratulations on the FPO" to "how do you survive the AGR blow?" The friction point is the bank debt timeline. Management's credibility on operational execution is rising (due to tower adds), but their influence over regulatory/judicial outcomes is zero, which is the thesis-driving factor.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Bank Debt | Engaged with lenders for tying up funding. | Banks are in "wait and watch" mode following AGR curative dismissal. | Tie-up is not "imminent" but contingent on regulatory clarity. | Capex ramp-up may slow if internal cash is the only source. | | Sub Stabilization | Network expansion will drive preference. | BSNL arbitrage is significant; 4G subs declined despite tower adds. | Expansion doesn't override price arbitrage at the low end. | Sustained revenue pressure from entry-level churn. |

5. WHAT CHANGED vs PRIOR QUARTER

vs prior quarter (Q1 FY25)

What Changed	Prior Quarter	This Quarter	Direction
AGR Status	Curative Petition pending (Hope).	Curative Petition dismissed (Reality).	↓ Deteriorating
Subscriber Mix	4G additions of +0.4M.	4G loss of -0.8M.	↓ Deteriorating
ARPU (Blended)	₹146	₹166	↑ Improving
Bank Debt Status	"Final stages" of tie-up.	"Simultaneous with AGR clarity".	↓ Delayed
BSNL Threat	Marginal / Not discussed.	Primary source of sub-loss.	↓ Increasing
Cash Reserves	₹18,150 Cr	₹13,620 Cr	↓ Consuming
Earnings Disclosure	Standard disclosure.	Added "Conversion of Dues to Equity" in Notes.	☐ Forensic Warning

Investor Notes: * **CFO-to-PAT Analysis:** With a PAT loss of ₹7,180 Cr and Cash EBITDA of ₹2,320 Cr, the business remains in a deep "capital-gorging" phase. The cash drop of ₹4,530 Cr in a single quarter (despite low capex) suggests high working capital and interest outflows. * **Thesis Change: The thesis has pivoted from "Recovery Play" to "Government Salvage Play."** The FPO cash provides a 12-month runway, but the Supreme Court's AGR dismissal and BSNL's emergence as a price disruptor mean VIL cannot grow its way out of debt. The equity story is now entirely about whether the Govt. will waive BGs and convert dues into a massive (and dilutive) equity stake to ensure VIL's survival as the "third player."

DOES THIS QUARTER CHANGE THE THESIS? Yes. The "Growth" narrative has been delayed. The loss of the curative petition removes the most significant upside catalyst, while the loss of 4G subscribers to BSNL proves that network investment must now compete with aggressive price arbitrage. VIL is a "Hold" for those betting on Govt. intervention, but the "Buy" case on operational turnaround has been pushed back by at least two quarters.