Vodafone Idea Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline Operations / Positive Regulatory Momentum **One-line:** VIL has successfully shifted from "distress" to "execution," with a massive Q3 capex ramp-up and a critical Bank Guarantee (BG) waiver providing a liquidity bridge, though the equity story remains a high-stakes bet on government debt conversion before FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Capex of □32.1 Bn (Q3) vs □21.2 Bn (H1) shows the promised ramp-up is real.	□
Earnings Quality	Low	PAT Loss of □6,610 Cr; finance costs (□5,690 Cr) exceed reported EBITDA (□4,710 Cr).	□
Guidance Confidence	Neutral	FY25 capex target of □100 Bn requires a massive □46.7 Bn push in Q4.	□
Management Credibility	Improving	Delivered on tower additions (4,000+ BB towers) and secured the BG waiver as lobbied.	□
Business Quality Signal	Improving	VLR "green shoots" (11 circles positive) suggest network investment is finally stemming the bleed.	□
Key Q&A Exchange	Q11 - Statutory Dues	Management quantified massive FY27 dues (□260-270 Bn), signaling the absolute necessity of equity conversion.	□
The Street's Primary Anxiety	Bank Debt Timing	Analysts pressed on the loan closure; mgmt admitted banks now seek "AGR clarity" despite BG waiver.	□
Capital Cycle Stage	Massive Investment	Capex increased 136% QoQ; shifting from "maintenance" to "growth/ 5G."	□
Margin Trajectory	Improving	Cash EBITDA margin at 22.0% (highest since merger).	□
Pricing Power	Stable	July hike fully absorbed; management signaled willingness for another hike within 9-12 months.	□
FCF Conversion & Quality	Distorted	Cash burn continues; FPO proceeds are the sole buffer for capex.	□
Competitive Moat Signals	Stabilizing	Reclaiming "Best 4G" perception via Opensignal; 5G rollout finally has a hard date (March/April).	□
Balance Sheet Strength	Stressed	Bank debt is negligible (□2,330 Cr), but Govt. Dues (□2,10,000 Cr+) are an existential overhang.	□
Working Capital Efficiency	Improving	Reversal of interest provisions via vendor agreements (Nokia/ Ericsson).	□
Mgmt Guidance Track	Reliable	Delivering on "Quick Win" capex and population coverage targets (1.07Bn reached).	□
Key Vulnerability	FY26 Cash Gap	Moratorium ends in 12 months; cash flows cannot cover □280 Bn+ annual statutory dues.	□
Management Tone	Confident/ Strategic	Shifted from "surviving" to "transforming" with 5G launch specifics.	□

Key Takeaways: * **Positives:** Successfully ramped up capex to □32.1 Bn (more than H1 combined); added 4,000 4G towers (post-merger record); secured a critical waiver for □247.5 Bn in Bank Guarantees, freeing up bank lines; 11 circles showed positive VLR adds in Dec/Jan, suggesting the "BSNL threat" is peaking. * **Negatives:** The "Funding Deadlock" persists as banks are now waiting for "AGR clarity" before releasing the □35,000 Cr loan; Net Loss remains deep at □6,610 Cr; Data usage per customer showed slight softness as low-end subs churned out. * **The Street's Concern:** Will the company default when the moratorium ends in FY26? Management's response: The 2021 Reform Package allows for "shortfall conversion" of dues to equity, effectively signaling that the government will become a significantly larger (and dilutive) shareholder to prevent failure. * **Forward Watchpoint:** Deployment of 5G in Mumbai (March) and Delhi/Bangalore (April) to test if VIL can reclaim high-ARPU data users.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	11,120	↑ 4.2%	↑ 1.7%	↑	Growth driven by July tariff hike realization.
Reported EBITDA (□Cr)	4,710	↑ 8.3%	↑ 3.5%	↑	Margin at 42.4%; YoY growth despite sub losses.
Cash EBITDA (□Cr)	2,450	↑ 15.0%	↑ 5.6%	↑	Ex-IndAS 116; highest since merger.
Capex (□Cr)	3,210	↑ 400%+	↑ 136.0%	↑	Massive ramp-up post vendor deals (Nokia/ Ericsson).
Net Bank Debt (□Cr)	2,330	↓ 69.4%	↓ 28.3%	↑	Significant deleveraging of bank books via FPO.
Customer ARPU (□)	174*	↑ 13.0% (vs Q1)	↑ 4.7%	↑	Ex-M2M; reflects upgrade and tariff impact.
4G Pop. Coverage (Mn)	1,070	↑ 3.9%	↑ 1.9%	↑	On track for 1.1Bn target by March 2025.
Cash Balance (□Cr)	12,090	N/A	↓ 11.2%	↓	Consumption of FPO proceeds for capex.
PAT Loss (□Cr)	(6,610)	↓ 5.4%	↑ 7.9%	↓	Impacted by high interest and depreciation.
Total BB Towers	460,300	↑ 5.0%	↑ 1.1%	↑	Added 4,000 unique BB towers in Q3.
Data Capacity	N/A	N/A	↑ 24% (9M)	↑	Speeds improved by 28% due to spectrum layering.
*ARPU estimated based on management's 4.7% QoQ growth claim on prior reported figures.					

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Trend	vs Company Avg	Key Development
Postpaid	Not in doc	Positive	↑	Outperforming	Grew base YoY/QoQ; focus on M2M and Retail (Easy+).
Prepaid	Not in doc	Positive	↑	Inline	Driven by "Super Hero" (Unlimited Night Data) plans.
Vi Business (Ent)	Not in doc	High Single Digit	↑	Outperforming	MSME focus; recognized as leading telecom brand.
Digital Services	Not in doc	N/A	↑	High Potential	Vi Movies & TV Smart TV launch; UPI autopay enabled.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex Plan	₹100 Bn for FY25.	Needs ₹46.7 Bn in Q4; current Q3 run-rate is ₹32.1 Bn.	Delivered (Ramp-up)	Medium
Guidance	Network	1.1 Bn pop coverage by Mar-25.	Needs 30M new people in Q4; adds were 20M in Q3.	On Track	Low
Guidance	4G Expansion	45,000 new 4G towers in cycle.	Added ~5,000 towers in 9M; needs 40,000 more.	Starting	High
Strategy	5G Rollout	Mumbai in March; Delhi/ BLR in April.	Requires immediate hardware deployment.	First Entry	Medium
Strategy	Bank Debt	Closure of debt funding "soon."	Tied to "AGR clarity" which is a moving govt target.	Delayed	High
Macro	Tariff Hikes	9-12 month window for next hike.	Depends on market leader (Jio/ Airtel) actions.	Delivered (July)	Neutral
Balance	Debt Dues	No BG required for pre-2021 spectrum.	Saves ₹247.5 Bn in future BG issuance.	Delivered (Regulatory)	Low

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	Vivekanand / Ambit	Sub Losses	Business Overview	"When you are expanding the network... is that helping you in reducing churn... or are you also able to strengthen your gross ads?"	Management clarified that gross ads are already healthy (above market share), so the focus is purely on retention through network investment. Reversal of the "leaky bucket" is the key trigger for operational break-even; monitoring VLR adds in 11 circles is the milestone.	None	4.0	Positive Signal
2	4.0	Vivekanand / Ambit	Tariffs	Management Commentary	"When do you think is the right time for the industry to consider one more tariff hike?"	Management indicated a 9-12 month window is feasible given the industry's low ROCE, potentially placing the next hike in H1 FY26. This suggests another revenue step-up just as the moratorium ends; critical for interest coverage.	None	4.5	Specific Guidance
3	5.0	Vivekanand / Ambit	Debt/ AGR	Financials	"What is your dialogue with the government... convice them to	Management confirmed holistic engagement	Specific conversion ratio.	3.0	Regulatory Hedge

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					take shareholding in lieu of deferred amounts?"	with the Govt. and noted that the 2021 reforms allow for "shortfall conversion" of both deferred and non-deferred installments. This confirms the "Equity for Debt" swap is the primary survival mechanism for FY26; massive dilution is inevitable.			
4	3.5	Sanjesh Jain / ICICI	Network Cost	Financials	"How should we look at network cost going up from here in the next few quarters as we expand?"	Management estimated incremental cash cost at □60k-70k per tower per month, though seasonally lower energy costs in Q3 offset this. Opex will rise linearly with tower additions; EBITDA margins may face temporary pressure during the ramp-up.	Ind-AS impact.	4.0	Clear and quantified
5	4.0	Sanjesh Jain / ICICI	5G Rollout	Business Overview	"When should you start that [5G]... and the circles that will be priority?"	Hard dates were given: Mumbai in March, with Delhi/ Bangalore/ Chandigarh/	Exact site count.	5.0	Specific timeline

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						Patna in April, followed by Gujarat/ Maharashtra/ Kerala. VIL is finally entering the 5G race; this is critical to stop high-value churn to Airtel/Jio.			
6	3.5	Sanjesh Jain / ICICI	ARPU Mix	Management Commentary	"How do we see ARPU growing say by premiumization... without tariff hike?"	Growth will come from converting "Secondary SIMs" to "Primary SIMs" as network perception improves, alongside 2G-to-4G upgrades. This is a higher-margin growth lever than simple tariff hikes; execution risk remains high.	None	3.5	Directional
7	3.0	Gaurav / Axis Sec	Opex Levels	Financials	"When will the OPEX start following the kind of moves which we are seeing in capex?"	Management credited cost-containment and lower content/ marketing costs for the current stability, but warned marketing spend will rise once network parity is reached. Expect	Specific marketing budget.	3.5	Cautious

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						"Marketing Opex" to spike in H1 FY26; near-term margin expansion is capped.			
8	4.0	Hemang / Nomura	BSNL Churn	Business Overview	"How subscriber losses are trending now and has the run rate improved significantly?"	Management highlighted positive VLR net adds in 11 circles in Dec/Jan as the BSNL "price arbitrage" migration reverses. If VLR remains positive for a full quarter, the "BSNL threat" is officially over; watch for Q4 VLR data.	None	4.0	Improving Trend
9	5.0	Hemang / Nomura	Bank Debt	Capex and Allocation	"What are some roadblocks... from the debt raise perspective which are required for us to close?"	Management admitted banks seek "AGR clarity" despite the BG waiver proving government support. The debt tie-up is no longer "imminent" but "conditional" on the Govt's next move on AGR; significant funding risk for the □300 Bn long-term plan.	None	2.5	Hedged
10	3.5	Aditya / Motilal	Usage Decline	Business Overview	"Postpaid subscriber base has been	Management explained that M2M	None	4.0	Clear distinction

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					consistently going up. Whereas... usage metrics are on a declining trend... what would explain this?"	(low data) drives postpaid growth, while prepaid usage was soft but started recovering in January. Clarifies that "Postpaid growth" ≠ "Data explosion"; revenue per sub is the better metric.			
11	5.0	Rishabh / HSBC	Statutory Dues	Financials	"Can you remind us on the amount of statutory payables due in FY26 and FY27?"	FY26 requires □120-130 Bn for spectrum + □160 Bn for AGR; FY27 jumps to □260-270 Bn for spectrum. This is the "Wall of Debt" that makes the current cash flow irrelevant without massive government conversion.	None	5.0	High Clarity
12	4.5	Vivekanand / Ambit	BSNL Reversal	Business Overview	"Have those customers [BSNL] started returning...?"	Management stated that net port-ins from BSNL have increased from June to January, suggesting the migration has completely reversed. This removes	None	4.5	Credible reversal

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						the "BSNL price-gap" overhang from the valuation.			

PATTERN FLAGS & SENTIMENT * **The "AGR Clarity" Circularity:** Analysts are frustrated by the circular dependency—banks want AGR clarity to lend, but AGR clarity depends on the Govt/Courts. Management's tone has shifted from "the FPO will unlock banks" to "the BG waiver is a sign, but banks are still waiting." * **FY26 Liquidity Wall:** For the first time, management and analysts are explicitly focusing on the ₹280 Bn+ payment due in 12 months. The "shortfall conversion" clause is now the primary bull-case defense against insolvency. * **Network Green Shoots:** Management was very aggressive in highlighting the VLR turnaround in 11 circles. This is their strongest operational evidence in years that the business can actually grow if it invests.

Analyst Sentiment Verdict: Cautiously Optimistic on Ops / Skeptical on Funding. Analysts were impressed by the capex execution and the BG waiver success, but remain deeply worried about the bank loan's "conditional" nature. Management's credibility on network rollout is at a multi-year high, but their lack of control over the "AGR solution" keeps the street's valuation multiple depressed.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Bank Debt | Loan closure expected shortly after FPO. | Banks now seek "AGR clarity" post curative dismissal. | Debt tie-up is delayed and conditional. | Ramping up 5G may stall if bank lines remain frozen. | | BSNL Threat | Impact was "transitory." | Confirmed heavy losses in Q2/Q3, only reversing in Dec/Jan. | Arbitrage was deeper/longer than admitted. | Margin pressure if low-end users don't return. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Capex Execution	₹13.6 Bn (Minimal)	₹32.1 Bn (Heavy)	↑ Improving
Regulatory Risk	Seeking BG Waiver	Waiver for ₹247.5 Bn secured.	↑ Improving
5G Timeline	"Tying up vendors"	Mumbai launch: March; Delhi: April.	↑ Improving
Subscriber Trend	Heavy churn to BSNL	11 circles showing VLR positive adds.	↑ Improving
Liquidity Buffer	High (Post-FPO)	Consuming (₹45 Bn burn in 6 months).	↓ Consuming
Bank Debt Status	"Active discussion"	"Waiting for AGR clarity."	↓ Deteriorating
Dues Visibility	Deferred debate	FY27 dues quantified at ₹260-270 Bn.	Risk Flag

Investor Notes: * **CFO-to-PAT Analysis:** With a PAT loss of ₹6,610 Cr against Cash EBITDA of ₹2,450 Cr, the business remains fundamentally unable to service its debt from core operations. The primary working capital lever is the "interest provision reversal" and the BG waiver, which provide accounting/liquidity relief but don't fix the underlying negative equity. * **Thesis Change: The "Execution Phase" has finally begun.** The thesis has moved from "Can they raise money?" to "Can they deploy it fast enough to stop the bleed before the moratorium ends?" The BG waiver is a massive victory as it prevents a massive cash drain in FY26, but the total equity value is now entirely a function of the Govt's appetite for debt conversion in 12 months. **Hold for the recovery, but prepare for massive dilution.**