Vodafone Idea Ltd — Sep 2025 Quarterly Analysis

1. VERDICT

Result: Strong Beat
One-line: Vodafone Idea delivered a strong Q1 FY26 marked by robust revenue growth (+4.9% YoY), continued ARPU improvement (+14.9% YoY), and best subscriber retention since merger, driven by aggressive 4G/5G network expansion and innovative pricing propositions. Despite ongoing losses and funding challenges, the quarter validates the turnaround thesis with improving business quality and management execution.

Dimension	Rating	Evidence
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue +4.9% YoY, EBITDA +3.7% YoY, subscriber loss down 90% QoQ, ARPU growth continues
Guidance Confidence	Neutral	Capex guidance cautious, dependent on bank funding and AGR clarity
Management Credibility	Strong	Transparent on challenges, detailed on capex, subscriber trends, and government engagement
Tone vs Prior Quarter	More Confident	Confident on 5G rollout, network improvements, and subscriber loss reduction
Business Quality Signal	Improving	Network coverage expanded, subscriber churn sharply reduced, ARPU growth sustained
Most Tense Q&A Exchange	Q3 – Capex & Funding	Detailed on funding challenges and capex trajectory, no evasion
Topics Pressed But Absent from Opening	AGR clarity specifics	Management addressed AGR only when pressed, no new guidance volunteered

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Q1 FY26 (₹Cr / Mn / %)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	₹1102 Cr	+4.9%	Not stated	↑	Growth driven by tariff hikes, 5G rollout, and ARPU improvement
Reported EBITDA	₹461 Cr	+9.8%	Not stated	↑	EBITDA improved on revenue growth and cost control
Cash EBITDA (ex IndAS116)	₹218 Cr	+3.7%	Not stated	↑	Reflects operational improvement
Capex (Q1)	₹244 Cr	Not comparable	Not comparable	First entry	₹24.4 billion invested in 4G/5G network expansion, densification, and capacity upgrades
Net Debt from Banks	₹193 Cr	↓ from ₹233 Cr	Not stated	↓	Bank debt reduced; ongoing engagement with lenders for further funding
Consumer ARPU	₹177	+14.9%	Not stated	↑	ARPU growth driven by tariff hikes and premium plans
4G+5G Subscribers	127.4 Mn	Not stated	+1 Mn	↑	4G subscriber base stable with net additions; 5G rollout in 22 cities across 13 circles
Data Usage per Subscriber	+11.2% YoY (per 4G sub)	+10.4% YoY overall	Not stated	↑	Data traffic growth driven by network improvements and 5G launch
Network Coverage (4G)	~84% population coverage	+7% QoQ	Not stated	↑	Expanded 4G coverage by 7% QoQ; densification with 4,800+ new towers added
Subscriber Net Loss	0.5 Mn	↓ ~90% QoQ	↓ from 1.6 Mn	↑	Strongest subscriber retention since merger; churn improving due to network and pricing efforts

2B. SEGMENT BREAKDOWN

Not explicitly quantified in the quarter, but:
- **Consumer Segment:** ARPU growth and subscriber additions driven by innovative prepaid and postpaid plans (Non-Stop Hero, Vi Max Family Plan with Netflix).
- **Enterprise Segment:** Continued expansion into Techco services (hybrid SD-WAN, cloud, IoT), with landmark 10-year smart metering contract win and new AI-powered CCaaS launch.
- **Digital Services:** Growth in Vi Movies & TV OTT platform, Vi App engagement, and new financial services (personal loans, fixed deposits, credit cards) launched on Vi App.

2C. PPT vs CONCALL ALIGNMENT

Metric	PPT Figure	Concall Figure	Match?	Delta / Note
Revenue	₹1102 Cr	₹1102 Cr	Yes	Perfect alignment
Reported EBITDA	₹461 Cr	₹461 Cr	Yes	Perfect alignment
Capex (Q1)	₹244 Cr	₹244 Cr	Yes	Perfect alignment
4G+5G Subscribers	127.4 Mn	127.4 Mn	Yes	Perfect alignment
Net Debt from Banks	₹193 Cr	₹193 Cr	Yes	Perfect alignment

No material discrepancies noted.

3. MANAGEMENT OUTLOOK

Dimension	Category	What Management Said	Status	Risk Flag	Linked Q#
Guidance	Revenue	Reaffirmed growth trajectory; expect continued ARPU improvement and revenue growth driven by tariff hikes and 5G rollout	Reaffirmed	Medium	Q1, Q3
Guidance	Margins	EBITDA margin improving; cost control initiatives ongoing; network opex stable despite capex increase	Reaffirmed	Low	Q15
Guidance	Capex	FY26 capex expected ~□600 Cr per quarter initially; further plans depend on funding and bank debt	Cautious	Medium	Q12, Q16
Strategy	Capacity / Expansion	4G coverage to reach ~84% with current capex; 5G rollout expanded to 22 cities in 13 circles; target 220k towers	On Track	Low	Q11, Q16
Industry & Macro	Demand Outlook	Positive; broadband penetration below 65% indicates growth potential; tariff increases needed for sustainability	Positive	Medium	Q2, Q13
Industry & Macro	Input Costs / Inflation	Energy cost optimization and in-sourcing helping control opex; inflationary pressures acknowledged	Managed	Low	Q17

Management emphasized:

- Continued focus on network investments to improve coverage and capacity, especially 5G expansion to all 17 priority circles by September 2025.
- Ongoing engagement with lenders for debt funding; exploring non-bank funding sources to maintain capex momentum.
- Expectation that AGR dues resolution will come before March 2026, enabling smoother funding access.
- Digital ecosystem expansion via Vi App and partnerships to drive new revenue streams beyond core telecom.
- Enterprise business seen as growth area with limited capital constraints relative to consumer mobility business.

4. ANALYST Q&A

Q#	Theme Cluster	Underlying Concern	Management's Key Points	Evaded / Not Addressed	Credibility	Verdict
Q1	Subscriber Growth	Impact of network investments on churn and subscriber additions	Subscriber loss sharply reduced to 0.5 Mn (90% lower QoQ); 4G subscriber additions positive; 5G rollout and pricing to improve further	No	Strong	Credible, realistic
Q2	5G Launch & Adoption	5G device penetration and subscriber adoption	60-70% of 5G device users adopt 5G in launched cities; introductory pricing at □299 plan; 5G rollout improves capacity and experience	No	Strong	Positive early indicator
Q3	Capex & Funding	Capex trajectory and funding availability	□50-60 billion capex planned for H1 FY26; most to be incurred by September; further capex depends on bank/non-bank funding; engaged with lenders	No	Strong	Cautious but transparent
Q4	Tariff & Churn	Churn drivers post tariff hike and network coverage	Churn improved post tariff hike; network coverage and 5G rollout key to retention; pricing interventions ongoing	No	Strong	Clear explanation
Q5	Enterprise Growth	Enterprise business potential amid capital constraints	Enterprise business growing with value-added services; capital constraints less binding here; large IoT contract won; bullish outlook	No	Strong	Positive, credible
Q6	Funding & AGR	AGR dues clarity and impact on funding	Discussions ongoing with government; confident of resolution before March 2026; exploring alternative funding sources	No	Strong	Transparent, cautious
Q7	Subscriber Metrics	VLR subscriber decline and seasonal trends	Q1 seasonally weak for VLR; migrant labor movement affects metrics; overall subscriber loss trend improving	No	Strong	Reasonable explanation
Q8	Government Stake	Potential for government share repurchase	Company cannot buy back government shares; focus remains on investments and growth	No	Strong	Clear, no evasion

Pattern Flags:
- Subscriber growth and churn improvement discussed in multiple questions (Q1, Q4, Q7) with consistent management messaging.
- Capex and funding (Q3, Q6) remain key concerns but management is transparent and realistic.
- Enterprise business (Q5) seen as growth opportunity with manageable capital needs.

No evasions or contradictions detected.

5. INVESTOR NOTES — BUSINESS QUALITY ASSESSMENT

Dimension	This Quarter's Read	Trajectory Signal
Management Credibility	Strong	Improving
Margin / Return Ratio Trajectory	Improving EBITDA	Improving
Pricing Power	Strengthening	Improving
Capital Allocation Quality	Focused, cautious	Improving but funding-dependent
Competitive Moat Signals	Network expansion, digital ecosystem	Improving
FCF Conversion	Negative (losses continue) but improving	Improving
Red Flags (if any)	Funding dependency, AGR clarity risk	Stable

Overall Thesis Verdict:
- Conviction Increasing
- The quarter’s strong operational and financial performance, especially the sharp reduction in subscriber losses, ARPU growth, and network expansion, reinforce the turnaround thesis.
- Management’s transparent communication and execution on 5G rollout and digital ecosystem build confidence in sustainable growth.
- Funding and AGR clarity remain watchpoints but are being actively managed.
- Next quarter to watch for further subscriber growth acceleration, capex execution post-funding, and enterprise business traction.

Summary:

This quarter’s results confirm Vodafone Idea’s ongoing turnaround with improving business quality, subscriber metrics, and ARPU growth, driven by aggressive network investments and innovative pricing. Management remains credible and transparent, though funding and AGR clarity remain key risks. The thesis is strengthened, with conviction increasing, conditional on continued execution and resolution of funding challenges.