

Healthy EBITDA offset by steep rise in interest costs!

- Jio's Q1FY26 results were in-line. Revenue/EBITDA/APAT grew +16.6/19.9/23.3% YoY & 2.9/5.3/1.1% QoQ driven by tariff hike in early Jul'24. The company gained robust 9.9mn subscribers following the completion of SIM consolidation (trailing 12m 8.4mn) post-tariff hike. However, persistent high capex, healthy margin expansion but steep rise in interest costs remain a concern.
- Jio's strong position in 4G/5G combined with VIL's payout obligations, implies consistent tariff hikes for the industry and/or duopoly, benefiting both Jio & Bharti.
- We have broadly maintained our estimate for FY26-27. Key triggers for the future are 1) tariff hikes 2) higher monetization of 5G subs 3) lower capex/robust FCF and 4) a potential public listing. Our Enterprise/Equity value for Jio (per share of RIL for its effective ~65% stake in Jio) is unchanged at Rs 482/449 @ 11x FY27E EV/E.

3rd quarter of healthy subscriber growth momentum

Jio's reported subs addition of 3.3/6.1/9.9mn in Q3/Q4FY25/Q1FY26. This is against -10.9mn in Q2FY25 (weak after 9 consecutive quarters of healthy additions) led by sim consolidation and clean-up of inactive subscribers.

Flow-through of the majority tariff hike is in place, in our view

ARPU stood at Rs 208.8 +14.9/1.3% YoY/QoQ driven by ~11-20% tariff increase in Jul'24. ARPU growth in Q1 is due to an extra day. Data consumption and home BB driving ARPU growth partly. Further tariff hikes (Q3/Q4FY26), use cases for differential charging on 5G or pick-up in postpaid are key triggers for Jio, in our view.

Mixed financially

Jio's Q1FY26 Revenue/EBITDA/APAT grew by +16.6/19.9/23.3% YoY & 2.9/5.3/1.1% QoQ driven by tariff increase. EBITDA Margin stood at healthy 54%, +147/124bps YoY/QoQ. S&D costs increased for the 9th quarter (higher competitive intensity for subs acquisition) by 29%/2%. Other expenses increased by 54/4% YoY/QoQ. A modest rise in network costs +6.7/0.5% and employee costs +2.5/-1.4% YoY/QoQ were the savior. Steep rise in interest costs at Rs 20.8bn, +89/54% YoY/QoQ was key drag partly offset by higher other income at Rs 6.1bn, +5x/82%. The increase in interest costs is due to the operationalization of 5G assets. We highlight Jio has 210mn+ 5G users.

Weak FCF a challenge

Jio's capex as per BS stood at ~Rs 422bn in FY25 vs. Rs 584/573bn in FY24/FY23. The cash capex (excl. deferred spectrum payments) stood at Rs 415bn vs. 489bn in FY24 and Rs 335bn in FY23. Jio's capex intensity continues to remain higher. FCF stood at Rs 86bn in FY25 vs. Rs 83bn in FY24. **Steep capex, trivial FCF and high debt are key challenges for Jio.**

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Exhibit 1: Q1FY26 Result (Rs mn)

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Revenue	308,820	264,780	16.6	300,180	2.9
Total Expense	141,920	125,580	13.0	141,660	0.2
EBITDA	166,900	139,200	19.9	158,520	5.3
Depreciation	62,040	56,070	10.6	59,250	4.7
EBIT	104,860	83,130	26.1	99,270	5.6
Other Income	6,110	1,020	499.0	3,360	81.8
Interest	20,810	11,010	89.0	13,460	54.6
EBT	90,160	73,140	23.3	89,170	1.1
Tax	23,050	18,690	23.3	22,750	1.3
APAT	67,110	54,450	23.3	66,420	1.0
Gross Margin (%)	89.1	89.8	(74)	89.1	-
EBITDA Margin (%)	54.0	52.6	147	52.8	124
EBIT Margin (%)	34.0	31.4	256	33.1	88
NPM (%)	21.7	20.6	117	22.1	(40)
Tax Rate (%)	25.6	25.6	1	25.5	5

Source: Company, Dolat Capital

Exhibit 2: Actual vs. Estimates

Particulars (Rs mn)	Actual	Estimate	Variance (%/bps)	Remark
Avg Subs (Mn)	493.2	489.2	0.8	In-line
Closing Subs (Mn)	498.1	496.2	0.4	
ARPU (Rs)	208.8	210.6	(0.8)	
Net Sales (Rs Bn)	308.8	310.9	(0.7)	
EBITDA (Rs Bn)	166.9	166.4	0.3	
EBITDA Margin (%)	54.0	53.5	52	
APAT (Rs Bn)	67.1	70.6	(4.9)	

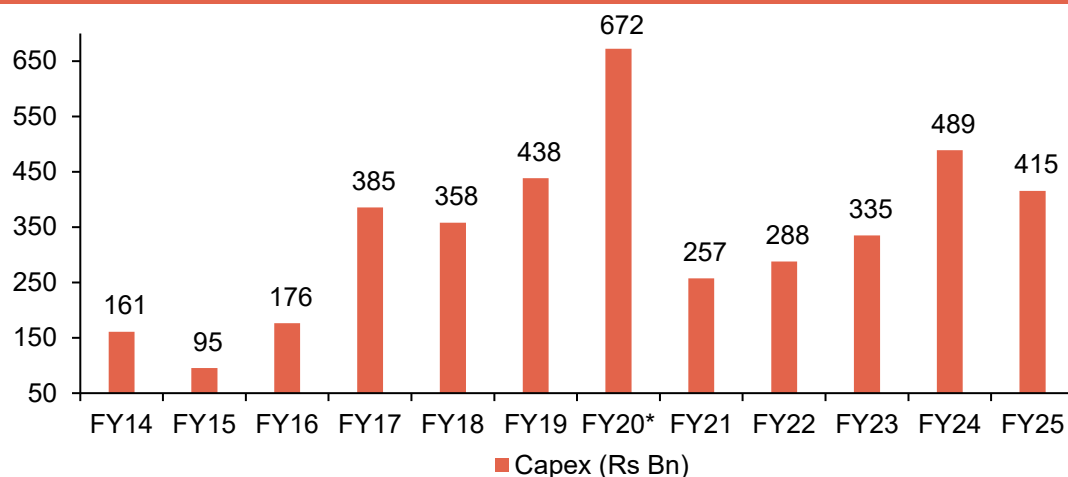
Source: Company, Dolat Capital

Exhibit 3: Change in Estimates

Particulars (Rs mn)	FY26E			FY27E			Remarks
	Old	New	Chg.(%)	Old	New	Chg.(%)	
Closing Subs (Mn)	510	518	1.5	528	538	1.8	Broadly maintain revenue/EBITDA estimates; APAT lower due to higher finance costs
ARPU (Rs)	215	214	(0.4)	245	241	(1.8)	
Revenue (Rs Bn)	1,289	1,292	0.3	1,526	1,524	(0.1)	
EBITDA (Rs Bn)	698	702	0.5	857	859	0.2	
EBITDA Margin (%)	54.2	54.3	11	56.2	56.3	15	
APAT (Rs Bn)	301	291	(3.5)	397	382	(3.7)	

Source: Company, Dolat Capital

Exhibit 4: Jio's Annual Cash Capex Trend



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

Exhibit 5: Jio's Reported Cash Flows

Particulars (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY14-25
Net Profit/(Loss) before tax	46	76	161	199	244	275	333	1,344
Dep./Finance costs/Others	96	126	146	179	238	249	271	1,359
Wcap change	(75)	(37)	19	(64)	(2)	30	58	(218)
Operating Cash Flow	67	166	326	313	481	553	662	2,485
Purchase of PPE	(438)	(672)	(257)	(288)	(335)	(489)	(415)	(4,071)
Investment/Loans	(1)	-	-	-	-	-	-	(20)
Purchase/(sale) of Invts.	(2)	(11)	14	(1)	1	(15)	(162)	(177)
Investing Cash Flow	(442)	(684)	(243)	(289)	(334)	(505)	(578)	(4,268)
Equity Capital Issuance	-	-	-	-	-	-	-	399
Preference Capital Issuance/(redemption)	-	1,250	-	-	-	-	-	1,945
Borrowings	460	(551)	(120)	120	(66)	128	126	480
Finance Costs	(92)	(110)	(31)	(144)	(79)	(171)	(161)	(982)
Financing Cash Flow	368	588	(152)	(24)	(145)	(44)	(35)	1,843
Change in Cash & CE	(7)	70	(69)	0	2	5	50	59
FCF (OCF + PPE + Finance costs)	(463)	(617)	37	(119)	67	(107)	86	(2,568)

Source: Company, Dolat Capital

Exhibit 6: Quarterly Financial Snapshot

(Rs Mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% YoY	% QoQ
Revenue	264,780	283,380	2,93,070	300,180	308,820	16.6	2.9
Access Costs	2,620	3,650	5,640	4,940	3,850	46.9	(22.1)
Net revenue	262,160	279,730	2,87,430	295,240	304,970	16.3	3.3
License fees	24,330	25,960	26,810	27,840	28,200	15.9	1.3
Network Costs	79,230	82,440	83,590	84,060	84,520	6.7	0.5
Emp. Costs	4,850	4,960	5,020	5,040	4,970	2.5	(1.4)
S&D	8,040	8,800	9,440	10,130	10,340	28.6	2.1
Other exp.	6,510	7,210	7,790	9,650	10,040	54.2	4.0
Op. Costs	122,960	129,370	1,32,650	136,720	138,070	12.3	1.0
EBITDA	139,200	150,360	1,54,780	158,520	166,900	19.9	5.3
D&A	56,070	57,340	58,320	59,250	62,040	10.6	4.7
Int. & Fin. Chg.	11,010	11,220	12,680	13,460	20,810	89.0	54.6
Other Income	1,020	1,890	3,200	3,360	6,110	499.0	81.8
PBT	73,140	83,690	86,980	89,170	90,160	23.3	1.1
Tax	18,690	21,380	22,210	22,750	23,050	23.3	1.3
APAT	54,450	62,310	64,770	66,420	67,110	23.3	1.0

Source: Company, Dolat Capital

Exhibit 7: Margin Analysis (%)

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY bps	QoQ bps
Access Costs	1.0	1.3	1.9	1.6	1.2	26	(40)
License fees	9.2	9.2	9.1	9.3	9.1	(6)	(14)
Network Costs	29.9	29.1	28.5	28.0	27.4	(255)	(63)
Employee Costs	1.8	1.8	1.7	1.7	1.6	(22)	(7)
S&D	3.0	3.1	3.2	3.4	3.3	31	(3)
Other expenses	2.5	2.5	2.7	3.2	3.3	79	4
Operating Costs (ex-Access)	46.4	45.7	45.3	45.5	44.7	(173)	(84)
EBITDA	52.6	53.1	52.8	52.8	54.0	147	124
D&A	21.2	20.2	19.9	19.7	20.1	(109)	35
Interest costs	4.2	4.0	4.3	4.5	6.7	258	225
Other Income	0.4	0.7	1.1	1.1	2.0	159	86
PBT	27.6	29.5	29.7	29.7	29.2	157	(51)
Tax	7.1	7.5	7.6	7.6	7.5	41	(11)
APAT	20.6	22.0	22.1	22.1	21.7	117	(40)
LF as % of NR	9.3	9.3	9.3	9.4	9.2	(3)	(18)
Tax as % of PBT	25.6	25.5	25.5	25.5	25.6	1	5

Source: Company, Dolat Capital

Exhibit 8: Quarterly Operational Snapshot

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% YoY	% QoQ
Closing Subs (Mn)	489.7	478.8	482.1	488.2	498.1	1.7	2.0
Gross Adds (Mn)	32.7	29.8	32.1	32.3	36.5	11.8	13.1
Churn (Mn)	24.8	40.7	28.8	26.2	26.6	7.5	1.6
Net Adds (Mn)	7.9	(10.9)	3.3	6.1	9.9	25.3	62.3
Monthly Churn (%)	1.70	2.80	2.00	1.80	1.80	10	-
ARPU (Rs)	181.7	195.1	203.3	206.2	208.8	14.9	1.3
Data Usage (Mn GB)	44,100	45,000	46,500	48,900	54,700	24.0	11.9
Data Usage/Sub (GB/Month)	30.3	31.0	32.3	33.6	37.0	22.2	10.0
Minutes of Usage (Bn Mins)	1,424	1,419	1,460	1,490	1,490	4.7	-
MOU/Sub (Mins)	977	977	1,013	1,024	1,007	3.1	(1.6)

Source: Company, Dolat Capital

Exhibit 9: Key Model Assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Closing Subs (Mn)	306.7	387.5	426.2	410.2	439.3	481.8	488.2	517.6	537.6
Net Additions (Mn)	120.1	80.8	38.7	(16.0)	29.1	42.5	6.4	29.4	20.0
ARPU (Rs)	137.4	132.1	143.1	153.4	178.1	181.2	196.1	214.1	240.7
Data Usage (Mn GB)	32,330	47,866	61,160	91,300	113,400	1,48,500	184,500	230,557	264,570
Data Usage/Sub (MBs)	10.92	11.49	12.53	18.19	22.25	26.87	31.70	38.20	41.79
Minutes of Usage (bn Mins)	2,341	3,301	3,830	4,504	5,060	5,480	5,793	6,140	6,554
MOU/Sub (Mins)	791	793	784	897	993	992	995	1,017	1,035
Revenue (Rs bn)	406.6	550.2	698.9	769.8	907.9	1,001.2	1,141.4	1,292.3	1,523.8
EBITDA (Rs bn)	151.0	222.7	309.1	376.3	466.7	524.2	602.9	701.8	858.6
EBITDA Margin (%)	37.1	40.5	44.2	48.9	51.4	52.4	52.8	54.3	56.3
Chg YoY/bps (%)									
Closing Subs (Mn)	64.4	26.3	10.0	(3.8)	7.1	9.7	1.3	6.0	3.9
ARPU (Rs)	(4.9)	(3.9)	8.4	7.2	16.1	1.7	8.3	9.2	12.4
Data Usage (Mn GB)	145.9	48.1	27.8	49.3	24.2	31.0	24.2	25.0	14.8
Data Usage/Sub (MBs)	15.9	5.2	9.0	45.2	22.3	20.8	18.0	20.5	9.4
Minutes of Usage (Bn Mins)	151.9	41.0	16.0	17.6	12.3	8.3	5.7	6.0	6.8
MOU/Sub (Mins)	18.7	0.2	(1.0)	14.4	10.6	(0.1)	0.4	2.2	1.8
Revenue (Rs bn)	101.8	35.3	27.0	10.1	17.9	10.3	14.0	13.2	17.9
EBITDA (Rs bn)	124.3	42.9	43.3	21.7	24.0	12.3	15.0	16.4	22.3
EBITDA Margin (%)	373	207	503	465	252	95	46	149	204

Source: Company, Dolat Capital

Exhibit 10: Valuation Snapshot

Particulars	Amount (Rs bn)	Target multiple (x)	EV (Rs bn)	Value per share of RIL (Rs)	RIL's share in Jio EV for its effective 65.25% stake (Rs Bn)	Effective Value per share of RIL (Rs)
H1FY27E EBITDA	859	11.0	9,444	698	6,162	455
CWIP in FTTH/Enterprise/5G	569	0.50	284	21	186	14
Intangible assets under development	542	0.50	271	20	177	13
Enterprise Value			9,999	739	6,525	482
(-) FY27E Net debt			696	51	454	34
Equity Value			9,304	688	6,071	449

Source: Company, Dolat Capital

Financial Performance

Income Statement

(Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	550.2	698.9	769.8	907.9	1,001.2	1,141.4	1,292.3	1,523.8
Growth (%)	35.3	27.0	10.1	17.9	10.3	14.0	13.2	17.9
Net Access costs	58.0	46.3	8.1	9.5	11.4	16.9	17.6	21.3
Net revenue	492.3	652.6	761.7	898.4	989.8	1,124.6	1,274.7	1,502.4
Growth (%)	42.1	32.6	16.7	17.9	10.2	13.6	13.3	17.9
License fee	57.2	77.6	90.7	91.3	92.1	104.9	118.7	140.2
LF as % of NR	11.6	11.9	11.9	10.2	9.3	9.3	9.3	9.3
Network & IT costs	169.3	220.6	250.1	284.7	305.6	329.3	348.4	381.8
Employee costs	14.6	13.4	14.2	16.3	19.0	19.9	21.5	26.7
SG&A	12.8	11.7	11.0	18.2	24.9	36.4	42.3	48.0
Other Expenses	15.6	20.2	19.3	21.0	24.0	31.2	42.0	47.2
Total Opex	212.3	265.9	294.7	340.3	373.5	416.8	454.2	503.7
EBITDA	222.7	309.1	376.3	466.7	524.2	602.9	701.8	858.6
EBITDA (%)	40.5	44.2	48.9	51.4	52.4	52.8	54.3	56.3
EBITDA Growth (%)	47.5	38.8	21.7	24.0	12.3	15.0	16.4	22.3
Depreciation	74.0	115.3	136.2	185.5	213.9	231.0	258.1	292.5
EBIT	148.8	193.8	240.2	281.3	310.3	371.9	443.7	566.0
Other Income	0.9	5.5	2.3	3.6	4.6	9.5	21.3	20.8
Interest	66.2	38.4	43.8	40.6	40.0	48.4	75.0	73.5
PBT	83.5	160.9	198.7	244.3	274.9	333.0	390.1	513.3
Tax	19.3	40.7	50.5	62.2	70.2	85.0	99.5	130.9
APAT	64.1	120.2	148.2	182.1	204.7	248.0	290.5	382.4
APAT Growth (%)	116.3	87.4	23.3	22.9	12.4	21.1	17.2	31.6

E: Estimate

Balance Sheet

(Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS								
Equity Share Capital	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	10	130	278	460	664	914	1,204	1,587
Total Shareholders' Funds	1,710	1,830	1,978	2,160	2,364	2,614	2,904	3,287
Long term debt	135	155	224	278	468	494	381	295
Short term debt	282	189	324	444	422	439	382	333
Deferred spectrum payment	188	188	372	1,173	1,128	1,091	1,075	807
Lease Liabilities	-	-	100	137	126	125	131	138
Total Debt	605	532	1,020	2,032	2,145	2,150	1,969	1,573
Other non-current liabilities	-	25	77	142	215	305	291	279
SOURCES OF FUNDS	2,315	2,387	3,074	4,334	4,724	5,069	5,165	5,138
APPLICATION OF FUNDS								
Net Block	1,847	1,881	2,644	3,912	4,282	4,473	4,565	4,572
Other non-current assets	286	395	251	249	261	268	294	294
Total Non-current Assets	2,133	2,277	2,895	4,161	4,543	4,741	4,859	4,866
Cash & Equivalents	89	10	12	14	39	256	226	182
Other Current Assets	196	214	278	283	292	243	261	280
Total Current Assets	284	224	290	297	331	499	487	462
Total Current Liabilities	102	114	111	124	150	172	181	190
Net Current Assets	182	111	179	173	181	327	306	272
APPLICATION OF FUNDS	2,315	2,387	3,074	4,334	4,724	5,069	5,165	5,138

E: Estimate

Cash Flows

(Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PAT	64	120	148	182	205	248	291	382
Net interest expense	66	38	44	41	40	48	75	74
Depreciation	74	115	136	185	214	231	258	293
WC Chg & others	(39)	(7)	(67)	9	17	71	(9)	(10)
OPERATING CF (a)	166	267	261	417	476	598	615	739
Capex	(235)	(150)	(899)	(1,453)	(584)	(422)	(350)	(300)
Free cash flow (FCF)	(69)	117	(638)	(1,037)	(108)	176	265	439
Investments	(149)	(84)	196	67	61	83	(40)	(13)
INVESTING CASH FLOW (b)	(384)	(234)	(703)	(1,386)	(523)	(339)	(390)	(313)
Debt Issuance	(874)	(73)	487	1,013	113	5	(180)	(396)
Interest expenses	(66)	(38)	(44)	(41)	(40)	(48)	(75)	(74)
FCFE	(1,159)	(79)	2	3	25	215	(30)	(44)
Share capital Issuance	1,241	0	(0)	-	(1)	2	-	-
Dividends	-	-	-	-	-	-	-	-
FINANCING CASH FLOW (c)	301	(112)	444	972	72	(42)	(255)	(470)
NET CASH FLOW (a+b+c)	83	(79)	2	3	24	217	(30)	(44)
Closing Cash & Equivalents	89	10	12	14	39	256	226	182

E: Estimate

Key Ratios

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY (%)								
EBITDA Margin	40.5	44.2	48.9	51.4	52.4	52.8	54.3	56.3
EBIT Margin	27.0	27.7	31.2	31.0	31.0	32.6	34.3	37.1
APAT Margin	11.7	17.2	19.2	20.1	20.4	21.7	22.5	25.1
RoE	6.1	6.8	7.8	8.8	9.0	10.0	10.5	12.4
RoIC (or Core RoCE)	5.6	6.3	6.6	5.7	5.1	5.8	6.8	8.5
RoCE	5.4	6.2	6.6	5.7	5.1	5.7	6.5	8.2
EFFICIENCY								
Tax Rate (%)	23.2	25.3	25.4	25.5	25.5	25.5	25.5	25.5
Fixed Asset Turnover (x)	0.3	0.4	0.3	0.3	0.2	0.3	0.3	0.3
Other Current Assets (days)	129.9	111.9	131.9	113.7	106.5	77.9	73.7	67.1
CL & Provisions (days)	67.8	59.4	52.5	49.9	54.8	55.1	51.1	45.6
Cash Conversion Cycle (days)	62.1	52.5	79.4	63.8	51.7	22.8	22.6	21.6
Net D/E (x)	0.3	0.3	0.5	0.9	0.9	0.7	0.6	0.4
Net D/EBITDA (x)	2.3	1.7	2.7	4.3	4.0	3.1	2.5	1.6
Interest Coverage (x)	2.2	5.0	5.5	6.9	7.8	7.7	5.9	7.7
PER SHARE DATA (Rs)								
EPS	1.4	2.7	3.3	4.0	4.5	5.5	6.5	8.5
CEPS	3.1	5.2	6.3	8.2	9.3	10.6	12.2	15.0
Dividend	-	-	-	-	-	-	-	-
Book Value	38.0	40.7	44.0	48.0	52.5	58.1	64.5	73.0

E: Estimate

Dolat Rating Matrix

Total Return Expectation (12 Months)

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

Dolat Team

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