

Vodafone Idea's mega FPO may keep stock price muted

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AT A GLANCE

Vodafone Idea
Share price (₹)



VODAFONE IDEA'S ₹18,000 CRORE follow-on public offer (FPO), the biggest ever to hit the Indian stock market, is expected to keep the stock price muted in the near term due to the large number of new shares flooding the market, said market experts.

The FPO is part of the cash-strapped company's plan to raise ₹45,000 crore through debt and equity as it struggles to repay debt and invest in improving its services to arrest subscriber churn. The FPO will open for subscription on April 18 and close on April 22, while anchor investors bids are expected to come in on April 16.

The merchant bankers for the issue are SBI Capital Markets, Jafferries and Axis Capital.

Reacting to the FPO announcement, shares of Vodafone Idea fell around 5% intra-day on Friday to hit a nearly two-month low of ₹12.25. However, the stock recovered after reports said GQG Partners and SBI Mutual Fund may put

in as much as \$800 million (around ₹6,500 crore). As a result, the stock ended around 2% higher at ₹13.2 per share.

Big FPOs have been quite rare in the past decade. For example, there were only two FPOs in the past decade, one by YES Bank of ₹15,000 crore in FY21 and another by Ruchi Soya in FY22.

While this will be the biggest ever FPO in India, market partici-

Follow-on public offerings (FPOs)

Year	Nos	Issue amount (₹ cr)
FY04	9	14,616
FY05	6	6,769
FY06	26	12,868
FY07	9	1,287
FY08	6	10,896
FY10	5	21,993
FY11	5	13,084
FY12	1	4,578
FY14	2	7,456
FY21	1	15,000
FY22	1	4,300

Source : primedatabase.com

pants believe that the constant need for funding may also keep the stock under pressure. The company has given a price band of ₹10-11 for the FPO. At the upper end of the price band, the issue was at a discount of around 15% to the stock's closing price on Wednesday.

An analyst from a top brokerage firm said the company will likely have commitments from institutional investors for the FPO

as the issue might not get strong response from retail investors given Vi India is a loss-making company and the discount for FPO price is not very big.

The stock has slumped 85% since 2016 from around ₹85 amid significant competition in the telecom industry post Reliance Jio Infocomm's entry. Vodafone Idea has been losing subscribers every month, and its ARPU is also substantially lower compared to its bigger rivals Bharti Airtel and Reliance Jio.

Sunny Agrawal, head of equity research at SBICAPS Securities, said his view on the stock remains neutral despite the FPO. Market participants expect the stock to remain in the range of ₹10-14 in the near-to-medium term.

In a recent report, CLSA set its target price for the stock at ₹5 with a 'sell' rating. "Beyond capex and 5G rollout, Vodafone Idea faces a financial crunch in FY26CL when annual spectrum and AGR payments of \$4 billion per annum will fall due, unless the government converts debt principal to equity at the end of the moratorium," CLSA said.