



Media Release

Mumbai – April 28, 2018

Idea Cellular announces audited Ind AS results for the Fourth Quarter (Q4) and Year ended March 31, 2018

Highlights Standalone¹ Results -

Revenue - Rs. 61,373 million, EBITDA - Rs. 14,473 million, PAT - Rs. -10,179 million

	INR million				
	Q4FY18	Q3FY18	FY18	FY17	YoY Change
Revenue - Established Service Areas ³	56,971	60,660	262,654	329,586	-20.3%
Revenue - New Service Areas ⁴	4,403	4,437	20,136	26,171	-23.1%
Total Revenue	61,373	65,097	282,789	355,757	-20.5%
EBITDA - Established Service Areas ³	15,504	14,001	66,156	107,880	-38.7%
EBITDA - New Service Areas ⁴	-1,031	-1,768	-5,680	-5,444	-4.3%
Total EBITDA	14,473	12,233	60,476	102,436	-41.0%
EBITDA% - Established Service Areas ³	27.2%	23.1%	25.2%	32.7%	-7.5%
EBITDA% - New Service Areas ⁴	-23.4%	-39.8%	-28.2%	-20.8%	-7.4%
EBITDA%	23.6%	18.8%	21.4%	28.8%	-7.4%
Depreciation & Amortisation	20,854	21,414	84,091	78,272	7.4%
EBIT	-6,382	-9,181	-23,615	24,163	NA
Interest and Financing Cost (Net)	9,743	11,490	44,600	37,014	20.5%
Dividend from Indus	0	0	2,657	3,623	-26.6%
PBT	-16,124	-20,671	-65,558	-9,228	NA
PAT (Standalone¹)	-10,179	-13,519	-41,628	-4,075	NA
Cash Profit⁵ (Standalone)	4,377	200	17,069	69,386	-75.4%
Share of Profit/(Loss) from Indus & ABIPBL	744	818	3,224	4,218	-23.6%
Deferred Tax on Undistributed earnings of Indus	187	145	620	518	19.7%
Other Comprehensive Income (net of Tax)	316	-11	283	-43	NA
Total Comprehensive Income (Consolidated²)	-9,306	-12,856	-41,399	-4,040	NA

Another Challenging Year, Long term growth trends visible

The Indian mobile industry witnessed another year of hyper-competition as well as high regulatory headwinds. The super aggressive price plans including the deep discounted unlimited voice bundled data plans, offered by most of the incumbent operators to retain existing subscribers against abysmally low priced plans offered by new 4G operator, exploded the voice and data volume growth multi-folds. But this led to a sharp decline in consumer ARPU resulting in industry AGR (Adjusted Gross Revenue) falling by nearly Rs. 322 billion @ 21.7% (CY17 vs CY16). Idea had the lowest drop in AGR Revenue Market Share from 20.0% in CY16 to 19.5% in CY17 among the top 3 industry operators in spite of major gains by new 4G operator.

The TRAI led regulation changes including (a) reduction of domestic 'Mobile Termination Charge' (MTC) from 14 paisa to 6 paisa per minute (effective 1st October 2017) and (b) 'International mobile termination' settlement charges from 53 paisa to 30 paisa per minute (effective 1st February 2018), further aggravated the financial stress



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for the existing industry operators. Resultantly, at least 5 Sub-Scale mobile operators were forced to exit / consolidate.

However, these trends are not reflective of the emerging long term opportunities offered by the sector – (1) the mobile services industry is consolidating among 3 large private operators, (2) multi SIM users are consolidating their usage to single operator, (3) subscribers are increasing / upgrading to higher broadband usage, (4) nearly 300-400 million Indians, primarily in the rural hinterland, are yet to adopt mobile telephony services.

Structural changes in consumption of mobile telephony services

The introduction of deep discounted unlimited voice bundled data plans by most operators during FY18 has led to a seismic shift in the consumption of mobile services. The voice usage per subscriber has risen sharply to 577 minutes in Q4FY18 from 412 minutes in Q4FY17. Similarly, broadband data usage per broadband data subscriber has seen a meteoric growth to 7GB in Q4FY18, compared to 1.4GB a year back. The broadband data volume of 1,984 billion MB increased by nearly 6 times (FY18 vs FY17). As wireless data adoption in FY18 saw a strong surge with launch of unlimited data bundled plans, Idea witnessed record wireless broadband data subscriber addition of 15.1 million this year, improving the overall broadband penetration from ~13.0% in FY17 to ~20.5% in FY18. The company's wireless broadband subscriber (EoP) base now stands at 39.8 million out of total 46.8 million mobile data users.

Similarly, Idea witnessed strong return of subscriber addition with 12.2 million 'Net customer adds' on VLR in H2FY18. Idea improved its 'Subscriber Market Share' (VLR) from 19.4% in February 2017 to 20.9% in February 2018. The company's overall subscriber base (VLR) stands at 207.7 million as on 31st March 2018.

Significant investments underway to build robust broadband infrastructure

During FY18, Idea continued aggressive expansion of its wireless broadband infrastructure, adding 44,856 broadband sites (3G+4G) during the year. The broadband sites increased from 110,054 as of 31st March 2017 to 154,910 sites as of 31st March 2018, taking the overall network footprint on EoP to 286,356 sites (GSM+3G+4G). The wireless broadband population under coverage now expands beyond 650 million Indians spread across 164,000 towns and villages in 22 service areas. Idea started deploying 2300 MHz TDD spectrum in its leadership circles of Maharashtra & Kerala and 2500 MHz TDD spectrum in Andhra Pradesh to further augment its wireless data capacity. The company expanded its fibre network from 115,500 km (31st March 2016) to 156,800 km as on 31st March 2018. Idea also launched Voice over LTE (VoLTE) services for employees in select circles recently and is scheduled to introduce VoLTE services in phased manner for its customers from May 2018.

The overall capex spend for the year was Rs. 70 billion, majority of which was utilised for 4G expansion. The company's Gross Investment in Fixed Assets has risen to nearly Rs. 1,255 billion. The monetisation of this front loaded large investment in spectrum & equipment is inevitable as Digital India mission gathers momentum and mobile internet penetration improves.

Rates continued to fall in Q4FY18

The explosion in voice volumes driven by higher adoption of unlimited bundled plans has led to Idea's highest ever sequential quarterly voice minutes growth @16.9% in Q4FY18 (on the back of 10.8% growth in Q3FY18). The sharp



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increase in volumes led to 'voice rate' (including the impact of reduction in international IUC rate) fall by 20% to 13.4 paisa per minute (vs 16.8 paisa in Q3FY18). Similarly, the mobile data volume (2G+3G+4G) continued to witness robust sequential quarterly growth of 43.2% (on back of sequential quarterly growth of 30.2% in Q3FY18) as Idea's pan India mobile data network carried 818 billion MB of data volume this quarter. However, the 'mobile data rate' declined to 1.4 paisa per MB, down 31.4% vs 2.0 paisa per MB in Q3FY18.

The overall subscriber momentum remained strong with 6 million net adds on EoP in Q4FY18. But the blended overall customer ARPU downgraded from Rs. 114 in Q3FY18 to Rs. 105 in Q4FY18 due to enhanced competitive intensity. This has led to a sequential quarterly revenue decline of 5.7% to Rs. 61,373 million in Q4FY18 (vs Rs. 65,097 million in Q3FY18) including revenue impact of Rs. 520 million due to reduction in International IUC from 53 paisa to 30 paisa per minute w.e.f. 1st February 2018. The EBITDA for the quarter stands at Rs. 14,473 million.

Overall financial performance remained under pressure in FY18

During the year, the dual negative factors of (a) Steep reduction in domestic and international MTC settlement rate and (b) Unrelenting rate pressure on voice and mobile data services as high ARPU consumers migrate to lower priced 'unlimited voice bundled data plans' resulted in 20.5% decline in Idea's gross revenue in FY18 to Rs. 282,789 million (vs FY17 revenue of Rs. 355,757 million). While the company remains cautiously optimistic on India growth story & continues to expand its scale of operations, this tumultuous phase impacted Idea's EBITDA during the current financial year by 41.0% to Rs. 60,476 million (vs Rs. 102,436 million in FY17). The EBITDA margin for the year declined to 21.4% from 28.8% in FY17. Meanwhile, company remains committed to optimize its operating costs in the new sector paradigm.

The 'Depreciation & Amortisation' charge and 'Interest & Financing Cost (Net)' for FY18 stood at Rs. 84,091 million and Rs. 44,600 million respectively resulting in the unprecedented standalone PAT loss of Rs. 41,628 million in FY18 (vs PAT loss of Rs. 4,075 million in FY17). The consolidated Total Comprehensive Income (including proportionate share from Indus & ABIPBL) stands at a loss of Rs. 41,399 million in FY18 (vs loss of Rs. 4,040 million in FY17).

The 'Net Debt' as on 31st March 2018 stands at Rs. 523.3 billion, including a large component of debt from DoT under 'Deferred Payment Obligation' for Spectrum acquired in Auctions.

Merger Update

The merger of Idea and Vodafone India is in the final leg of regulatory approvals and is expected to complete in H1CY18. The proposed new leadership team of merged entity has been announced on 22nd March 2018. Both the companies, have set up respective project management teams, preparing for the merger and initiated detailed planning for identified capex and opex synergies.

Both the companies now, under 'Active infrastructure sharing' programme and '2G & 4G ICR arrangements' across various service areas, share around 49,000 sites. Planned Fibre and PoP sharing programme is also underway in Top 220 cities across the 22 telecom service areas.



Update on Standalone Tower Asset Monetization

On 13th November 2017, Idea and Vodafone, announced the sale of their respective standalone tower businesses in India to ATC Telecom Infrastructure Private Limited (“American Tower”) for a combined enterprise value of Rs. 78.5 billion to strengthen the balance sheet of the merged entity. Vodafone India has already received Rs. 38.5 billion for its standalone towers and Idea expects to receive its due Rs. 40 billion in H1CY18 after necessary FDI approval is received for acquisition of ICISL (Idea’s 100% tower subsidiary) by American Tower. The receipt of these proceeds prior to completion was anticipated and provided for in the merger agreement and hence would not affect the agreed terms of the Vodafone India and Idea merger, including the amount of debt which Vodafone will contribute to the combined entity at the closing of merger transaction.

Idea successfully completed equity raising of Rs. 67.5 billion, Monetization of Indus Tower stake

On 12th February 2018, the company issued and allotted ~326.6 million equity shares at a price of Rs. 99.50 per share on preferential basis to the promoter group entities for a total consideration of Rs. 32.5 billion. The company also announced successful closure of its ‘Qualified Institutional Placement’ on February 23, 2018 and allotted approximately ~424.2 million equity shares to qualified institutional buyers, at an issue price of Rs. 82.50 per equity share, aggregating to approximately Rs. 35 billion. The equity raise of Rs. 67.5 billion has reduced Idea’s net-debt and as a result Vodafone net-debt contribution to the merged entity will also be reduced by a commensurate amount.

Recently, on 25th April 2018, merger of Bharti Infratel and Indus towers was announced which will create the largest tower infrastructure company in the world (excluding China) with 1,63,000 towers pan India. For Idea’s 11.15% stake in Indus, Idea has the option to either: (1) sell its 11.15% shareholding in Indus Towers for cash based on a valuation formula linked to the VWAP for Bharti Infratel’s shares during the 60 trading days at the end of Idea’s election period which triggers post completion of all regulatory approvals required for the merger. This currently equals to a cash consideration of ~Rs. 65 billion or alternatively; (2) receive new shares in the combined enlarged company based on the Merger ratio (1,565 shares of Bharti Infratel for every 1 Indus Towers share). This transaction is subject to approvals from all the relevant regulatory authorities and is expected to complete before the end of FY19.

The equity infusion, sale of standalone tower businesses of Idea and Vodafone India for Rs. 78.5 billion and announced monetization of Idea’s 11.15% stake in Indus towers, will augment the long term capital resources of the combined entity.

In the meantime, Idea remains nimble, agile, adaptive, and focused on its execution capabilities. The company continues to strive for expanding coverage and capacity, optimising costs and delivering sustainable benefits to the consumers. Idea expects to benefit from faster than anticipated consolidation of industry and merged entity is expected to emerge as the largest Indian mobile service providers for both voice and broadband services across 2G, 3G and 4G platforms.

**Notes:**

1. Idea Standalone represents Idea, and its 100% subsidiaries. Effectively, this encompasses all operations, excluding Indus and Payments Bank (ABIPBL).
2. Idea Consolidated represents Idea Standalone and proportionate consolidation of Indus and Payments Bank at PAT level.
3. Established Service Areas represent 15 service areas namely Maharashtra & Goa, Gujarat, Andhra Pradesh, Madhya Pradesh & Chhattisgarh, Delhi, Kerala, Haryana, Uttar Pradesh West & Uttaranchal, Uttar Pradesh East, Rajasthan, Himachal Pradesh, Punjab, Karnataka, Mumbai and Bihar service areas.
4. New Service Areas represent 7 service areas of Orissa, Tamil Nadu, J&K, Kolkata, West Bengal, Assam and North East.
5. Cash Profit is calculated as summation of PAT, Depreciation & Amortisation, charge on account of ESOPs and Deferred tax (excluding MAT), for relevant period.
6. Figures for past periods have been regrouped, wherever necessary.

About Idea Cellular Ltd.

Idea Cellular Limited is the third largest wireless operator by subscribers in India with a Revenue Market Share (based on AGR) of approximately 17.1% of the Indian mobile telecommunications services industry (excluding wireline revenue for Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited) for the Q3FY18. Idea is listed on National Stock Exchange (NSE), and the Bombay Stock Exchange (BSE) in India. Idea is part of the Aditya Birla Group, which is one of the largest business groups in India. The Aditya Birla Group is a conglomerate with operations in 35 countries and has businesses interests in, among others, mobile telecommunications, financial services, metal and mining, cement, carbon black, textiles, garments, chemicals and fertilizers sectors.