



Media Release

Mumbai –May 13, 2017

Idea Cellular announces audited Ind AS results for the Fourth Quarter (Q4) and Year ended March 31, 2017

Highlights Standalone¹ Results -

- Revenue - Rs.81,261 million, EBITDA - Rs.21,965 million, PAT - Rs.-4,300 million

	INR million				
	Q4FY17	Q3FY17	FY17	FY16	YoY Change
Revenue - Established Service Areas ³	75,260	80,163	329,586	335,583	-1.8%
Revenue - New Service Areas ⁴	6,002	6,464	26,171	23,911	9.5%
Total Revenue	81,261	86,627	355,757	359,494	-1.0%
EBITDA - Established Service Areas ³	23,151	23,283	108,141	125,910	-14.1%
EBITDA - New Service Areas ⁴	-1,186	-1,628	-5,378	-6,235	13.7%
Total EBITDA	21,965	21,655	102,763	119,675	-14.1%
EBITDA% - Established Service Areas ³	30.8%	29.0%	32.8%	37.5%	-4.7%
EBITDA% - New Service Areas ⁴	-19.8%	-25.2%	-20.5%	-26.1%	5.5%
EBITDA%	27.0%	25.0%	28.9%	33.3%	-4.4%
Depreciation & Amortisation	19,885	19,653	78,272	62,561	25.1%
EBIT	2,080	2,002	24,491	57,114	-57.1%
Interest and Financing Cost (Net)	10,132	9,232	37,341	18,830	98.3%
Dividend from Indus	-	-	3,623	-	
PBT	-8,052	-7,230	-9,228	38,284	-124.1%
PAT (Standalone¹)	-4,300	-4,789	-4,075	23,781	-117.1%
Cash Profit⁵ (Standalone)	12,494	12,276	69,386	99,011	-29.9%
Share of Profit from Indus & ABIPBL	983	1,143	4,218	4,217	0.0%
Deferred Tax on Undistributed earnings of Indus	-41	193	518	717	27.8%
Other Comprehensive Income (net of Tax)	21	-17	-43	-139	68.7%
Total Comprehensive Income (Consolidated²)	-3,256	-3,856	-4,040	27,142	-114.9%

Mobile Service Industry Declines in FY17

The Indian wireless industry witnessed an unprecedented disruption in the second half of financial year 2016-17 (FY17) on account of free voice & mobile data promotions by the new entrant in the sector. The October to April 2017 interval can be best described as 'Period of Telecom Discontinuity', permanently changing mobility business parameters. Consequently, the revenue KPIs & financial parameters for all mobile operators have sharply declined in H2FY17. For the first time in its history, the flourishing Indian Mobility industry, is trending towards an annual revenue decline of ~2% in FY17 (vs FY16). With the new entrant starting to charge for its services, albeit very slowly, the sector is expected to return to growth in the next financial year.



January to March 2017 Performance Under Stress

As a result of this current industry upheaval, the standalone Idea revenue dropped to an unforeseen level in Q4FY17 at Rs. 81,261 million, a sequential quarterly decline of 6.2% on the back of 6.9% decline in Q3FY17 (vs Q2FY17). However, due to focused cost optimisation drive and forex gain during the quarter, the company was able to hold its EBITDA at Rs. 21,965 million (QoQ growth @ 1.4%), with EBITDA margin @ 27% in Q4FY17, inspite quarterly revenue decline of Rs. 5,366 million.

Rates Free Fall Continues....

In an effort to retain its existing mobile subscribers, Idea was forced to reduce on sequential quarterly basis in Q4FY17, its voice rate by 12.5% to 25.9 paisa/min (vs. 29.6 paisa in Q3FY17) as also steeply drop its mobile data rate (ARMB) by 27.6% to 11.5 paisa/MB (vs. 15.9 paisa in Q3FY17). However, the lure of free offerings by the new mobile operator resulted in lower than normal volume elasticity with sequential quarterly voice minutes growing by 10.3% to 231.4 billion minutes (vs. 209.8 billion minutes in Q3FY17). The higher blended voice realisation rate fall was also an outcome of the tsunami of minutes terminating on Idea network from the new operator, resulting in overall higher ratio of incoming minutes recorded at below cost IUC rates.

The impact of free extended promotions was even more pronounced on mobile data business. Idea witnessed a sequential quarterly decline of 6.4 million mobile data customers on the back of 5.5 million loss in Q3FY17 (vs Q2FY17) and overall mobile data customer base has receded to 42.2 million (vs 48.6 million in Q3FY17). The mobile data volume elasticity was negated by massive mobile data rate drop of 27.6%, though overall mobile data volume grew by 16.7% (vs Q3FY17) to 127 billion MB (2G+3G+4G). The per subscriber data usage grew by 36.2% to 957 MB against 703 MB in Q3FY17 but the data ARPU for data subscribers (2G+3G+4G) remained flat in Q4FY17 at Rs. 110 against Rs. 111 (Q3FY17). The 'Non Voice Revenue' (including data) contribution to the 'overall service revenue' fell to 24.9% as mobile data revenue contribution declined to 18.3% (vs 20.2% in Q3FY17). However, the company remains optimistic of revival of mobile data subscriber addition & data revenue in FY18 as wireless broadband prices become more affordable for higher adoption by the Indian masses across all socio-economic & geographic segments.

Robust Subscriber Additions While on Its Wireless Broadband Journey

Separately on voice subscriber addition, Idea withstood the unprecedented attack by new entrant, adding a healthy 6.2 million new customers (on VLR) during the quarter (on back of 5.6 million addition in Q3FY17) taking the company EoP subscriber base (on VLR) to robust level of 198.3 million as on March 31, 2017. Near 200 million customer portfolio provides Idea the platform for growth in Mobile Voice, Wireless Broadband, Digital Services and Mobile Banking, post this disruptive phase. Competitively, Idea continued to strengthen its market share position with its Revenue Market Share (RMS) expanding to 19.0% in calendar year 2016 (CY16), an increase of 0.4% compared to CY15, while maintaining healthy subscriber market share (on VLR) at 19.4% (February 2017).



In spite of short term challenges, Idea remains committed to the process of building world class mobile broadband services. With the slated launch of Mumbai 4G services by end of May 2017, the company will be offering broadband services (3G and / or 4G) on its own spectrum across all 22 service areas. During this quarter, Idea launched its 4G services in 8 service areas of Gujarat, UPW, UPE, Rajasthan, Bihar, West Bengal, Assam and J&K, thus expanding its 4G broadband services to 19 telecom circles. The company also introduced 3G services during Q4FY17 in Bihar and Rajasthan service areas, expanding Idea's 3G product offerings on its own spectrum to 15 service areas (besides offering 3G services in remaining service areas on 3G ICR, except Orissa).

Muted Overall Performance During Financial Year 2016-17

On the financial year basis, Idea, for the first time since its IPO, is reporting a revenue decline @1% at Rs. 355,757 million for FY17 (Rs. 359,494 million in FY16). While the company remains optimistic on India growth story & continues to expand its scale of operations, this tumultuous phase subdued Idea's EBITDA during the current financial year by 14.1% to Rs. 102,763 million (vs Rs. 119,675 million in FY16). Further, last two years of high Investment in Spectrum and Equipment has increased the 'Depreciation & Amortisation' charge to Rs. 78,272 million and 'Interest & Financing Cost (Net)' to Rs. 37,341 million thereby Idea PAT is at a loss of Rs. 4,075 million in FY17 on standalone basis – first ever annual loss in last 11 years since its IPO during Year 2007.

The Net Debt as on March 31, 2017 stands at Rs. 500.7 billion, including a large component of debt from DoT under 'Deferred Payment Obligation' for Spectrum acquired in Auctions. With adoption of 'Ind AS', the financials of Indus (Joint Venture) and ABIPBL (Associate) are consolidated at PAT level only. Accordingly, the consolidated Total Comprehensive Income (including share from Indus & ABIPBL) stands at a loss of Rs. 4,040 million in FY17 against surplus of Rs. 27,142 million in FY16.

Infrastructure Buildout on Track

During FY17, Idea has integrated highest ever network telecom site count of 50,004 sites (2G+3G+4G), expanding its network sites on GSM (2G), HSPA (3G) and LTE (4G) to an overall EoP of 241,540 sites, including 70% increase in its wireless broadband site (3G+4G) count from 64,703 sites as on March 31, 2016 to 110,054 sites as of March 31, 2017. The wireless broadband population under coverage now expands beyond 500 million Indians in 21 service areas on Idea's own broadband spectrum. The company has also expanded its fibre network by 25% from 115,500 km (March 31, 2016) to 144,600 km as on March 31, 2017. The overall capex spend for the year was Rs. 78.5 billion, mainly funded from FY17 Cash Profit at Rs. 69.4 billion. The company's Gross Investment in Fixed Assets has risen to nearly Rs. 1,185 billion, an addition of ~Rs. 198 billion in last 12 months. The monetisation of this front loaded large investment in spectrum & equipment is inevitable as Digital India mission gathers momentum. Idea's overall spectrum holding of 891.2 MHz across 900, 1800, 2100, 2300 & 2500 MHz equips it with an ability to roll out broadband which can carry 15-20 times of its current mobile data traffic. The capex guidance for FY18 is Rs. 60 billion, an investment earmarked for expanding broadband coverage, increase wireless data capacity with planned launch of 2300 MHz spectrum network (2500 MHz spectrum rollout slated for FY19) & introduction of LTE voice services etc.



Merger Update

On 20th March, 2017 Vodafone Group Plc and Idea Cellular announced an agreement to combine their operations in India (excluding Vodafone's 42% stake in Indus Towers) to create India's largest telecom operator. The merger of Idea and Vodafone is founded on the shared commitment to deliver substantial stakeholder value, offer strong consumer choice to 1.3 billion Indians and contribute towards realising the Prime Minister's vision of Digital India and financial inclusion goals. The combined company would become the leading communication provider in India with ~ 400 million customers, 35% Customer Market Share and 41% Revenue Market Share (based on Q3FY17 TRAI release). The merger transaction is subject to approval from the relevant regulatory authorities & Idea's shareholders. Vodafone & Idea have initiated necessary steps to obtain regulatory approvals. A joint merger notification has been filed with the 'Competition Commission of India' (CCI) and the Scheme of Arrangement has been filled with SEBI & Stock Exchanges for their approvals.

In the meantime, Idea will remain nimble, agile, adaptive and focused on its execution capabilities. The company remains confident to capitalise on the emerging opportunities in mobile voice, digital content, mobile banking & wireless data business as telecom market invariably moves towards consolidation with 5 major providers.

Notes:

1. Idea Standalone represents Idea, and its 100% subsidiaries. Effectively, this encompasses all operations, excluding Indus Towers (Indus) and Aditya Birla Idea Payments Bank Limited (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 is the third largest wireless operator in India with a Revenue Market Share of 18.7% (Q3FY17). Idea is listed on the 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 more than 30 countries. The Aditya Birla group has a history of over 50 years and has businesses in, among others, mobile telecommunications, metals and mining, cement, carbon black, textiles, garments, chemicals, fertilizers, life insurance and financial services industries.