



## Media Release

Mumbai –August 08, 2016

Idea Cellular announces un-audited Ind AS results for the First Quarter (Q1) ended June 30, 2016

### Highlights Standalone<sup>1</sup> Results -

- Revenue at Rs. 94,866 million, EBITDA Rs. 30,742 million, PAT Rs. 4,971 million

|  | INR mn        |               |               |
|--|---------------|---------------|---------------|
|  | Q1FY17        | Q1FY16        | YoY Change    |
| Revenue - Established Service Areas <sup>3</sup>             | 88,051        | 82,466        | 6.8%          |
| Revenue - New Service Areas <sup>4</sup>                     | 6,815         | 5,449         | 25.1%         |
| <b>Total Revenue</b>   | <b>94,866</b> | <b>87,915</b> | <b>7.9%</b>   |
| EBITDA - Established Service Areas <sup>3</sup>              | 31,882        | 31,456        | 1.4%          |
| EBITDA - New Service Areas <sup>4</sup>                      | -1,140        | -1,663        | 31.5%         |
| <b>Total EBITDA</b>  | <b>30,742</b> | <b>29,793</b> | <b>3.2%</b>   |
| EBITDA% - Established Service Areas <sup>3</sup>             | 36.2%         | 38.1%         | -1.9%         |
| EBITDA% - New Service Areas <sup>4</sup>                     | -16.7%        | -30.5%        | 13.8%         |
| <b>EBITDA%</b>   | <b>32.4%</b>  | <b>33.9%</b>  | <b>-1.5%</b>  |
| Depreciation & Amortisation                                  | 19,192        | 14,117        | 35.9%         |
| EBIT   | 11,551        | 15,676        | -26.3%        |
| Interest and Financing Cost (Net)                            | 9,224         | 3,240         | 184.7%        |
| Dividend from Indus  | 3,623         |               |               |
| PBT  | 5,950         | 12,437        | -52.2%        |
| <b>PAT (Standalone<sup>1</sup>)</b>                          | <b>4,971</b>  | <b>7,778</b>  | <b>-36.1%</b> |
| Cash Profit <sup>5</sup> (Standalone)                        | 25,209        | 25,112        | 0.4%          |
| Share of Profit from Indus & ABIPBL                          | 1,035         | 927           | 11.7%         |
| Deferred Tax on Undistributed earnings of Indus              | -179          | -158          | 13.9%         |
| Other Comprehensive Income (net of Tax)                      | -33           | -32           | 4.2%          |
| <b>Total Comprehensive Income (Consolidated<sup>2</sup>)</b> | <b>2,171</b>  | <b>8,516</b>  | <b>-74.5%</b> |

The financial results for this quarter and Q1FY16 (restated) are based on Ind AS. The Q1FY17 financial performance is not comparable with Q1FY16 as this quarter results include a) Full impact of spectrum acquired by Idea in March 2015 (investment of Rs. 301.4 billion) and Feb 2014 Auction (investment of Rs. 104.2 billion) for renewal of mobile licenses in 9 service areas expired between December 2015 to April 2016 and spectrum acquired for 3G and 4G services in multiple circles b) Additional deferment consequent to the change in terms regarding carry forward conditions of unused data entitlement in data packs has negatively impacted the quarter's revenue by Rs. 1,276 million, EBITDA by Rs. 1,101 million and EBITDA margin by 0.7%.

The slow growth trends of mobile sector continues - FY16 reported industry revenue growth of 5.4% vs. FY15 (TRAI Q4FY16 release) against earlier financial year trends of near double digit growth. Similarly, this quarter industry revenue growth estimate indicates only 4-5% annual growth. Idea revenue growth in Q1FY17 also slowed down @ 7.9% (9.4% post normalization for Data Revenue).



Since January 2016, Idea clamped down on promotional offers for its new and existing customers resulting in 'Voice realised rate' improvement this quarter by 3.1% from 33.3 paisa in Q4FY16 to 34.3 paisa in Q1FY17, on back of 4.4% sequential quarterly rate improvement in Q4 over Q3FY16. However, full benefit of Voice rate realization improvement did not reflect in revenue growth between Q1FY17 & Q4FY16 as a) New subscriber addition (on VLR) was negative by 0.7 million reaching EoP of 183.2 million customers and b) Total 'Voice minute of use' declined by 1.1% from 201.6 billion in Q4FY16 to 199.3 billion in Q1FY17.

In contrast for mobile data business which is presently in high investment & low capacity utilization phase, Idea pursued a volume growth led strategy resulting in, on sequential quarterly basis, a) Highest ever 5 million mobile data user addition helping the EoP data subscriber base to reach 49 million, b) Strong quarterly mobile data volume growth @ 13.2% to 93.1 billion MB in Q1FY17 (vs. Q4FY16 – 82.2 billion MB) but c) the overall Data realized rate (ARMB) fell by 8.1% from 22.9 paisa to 21.1 paisa per MB in Q1FY17, resulting in sequential mobile data revenue growth limited to 4.1% only.

Competitively, Idea continues to improve its Revenue Market Share (RMS), expanding it to 19.3% (Q4FY16), an increase of 1.1% compared to Q4FY15 and subscriber market share (on VLR) to 19.6% (May 2016), an improvement of 0.7% over last 1 year.

The company continued its aggressive mobile broadband expansion program. Idea remains committed to drive digital transformation in India while metamorphosing itself from a 'pure voice' network to a balanced 'mobile voice and mobile broadband' operator, extending the life of voice business in under penetrated markets and serving the emerging new needs of digital consumers. Idea sustained its 4G network expansion momentum, added 5,296 4G sites during the quarter, reaching to 19,939 4G sites, now covering over 150 million Indian population spread across nearly 2,000 towns and 5,000 villages of 10 service areas. Additionally, with own spectrum, the company offers 3G services to 350 million Indians across 4,000 towns and 57,000 villages in 13 service areas, a clear testimony of Idea's ability to build and compete in short span of time.

As on 30th June, 2016 over 1.8 million customers are actively using Idea 4G services. Idea mobile broadband services (3G+4G) adoption is steadily improving as a) 61.4 million i.e. 34.8% of Idea's EoP base (176.2 million subscribers) have upgraded to latest 3G &/or 4G compatible smartphone (14.2 million 4G phone), nearly 20 million 3G/4G device addition over last one year, b) 27 million Idea customer base (44% of smartphone owners) are using the company's 3G or 4G data services with 10.3 million addition in last one year and c) the mobile broadband data volume (3G+4G) has grown exponentially by 85.5% from 36 billion MB in Q1FY16 to 66.9 billion MB in Q1FY17.

The overall mobile data users (2G+3G+4G) penetration is now at 27.8% of EoP subscribers reaching 49 million data subscribers with blended mobile data ARPU of Rs. 142 in Q1FY17 (vs. Rs 147 in Q1FY16) & data usage per subscriber at 674 MB (vs. 599 MB in Q1FY16). The mobile data revenue contribution is now 20.6% of 'Service Revenue' while overall 'Non Voice Revenue' (including data) contribution has increased to 28.2% (vs. 26.1% in Q1FY16)

Idea capex spend of Rs. 10.8 billion in Q1FY17 is in line with our capex guidance of Rs 65-70 billion for FY17, fully funded from cash profit of Rs 25,209 million. The company's network now spreads to nearly 2,00,000 sites (1,27,835 2G sites, 51,231 3G sites, 19,939 4G sites) and 120,700 Kms of fibre, covers nearly 1 billion Indians for GSM services over 3,94,000 towns and villages & wireless broadband services reach to 400 million Indians across 17 circles covering over 63,000 towns & villages.



The higher Network and IT operating expenses due to expansion and multiple inflationary pressures, resulted in overall operating cost increase, thereby Q1FY17 EBITDA grew @3.2% (6.9% post data revenue normalization) and stands at Rs. 30,742 million, with EBITDA margin @32.4% (normalised EBITDA margin @33.1%) against Q1FY16 EBITDA margin of 33.9%.

The increase in 'Depreciation and Amortization charge' to Rs. 19,192 million & 'Interest and Finance cost (net)' to Rs. 9,224 million, during Q1FY17 reflects additional charges on account of a) renewal of 9 existing expired license & linked spectrum & acquisition of new spectrum b) Launch of 4G services in 10 circles, c) Introduction of 3G 2<sup>nd</sup> carrier on 900 MHz in Maharashtra & MP, d) Launch of 3G services in Kolkata metro during FY16. Therefore, inspite EBITDA growth, Idea standalone 'Profit after tax' (PAT) for Q1FY17 stands at Rs. 1,348 million (excl. Indus dividend of Rs. 3,623 million) against Rs. 7,778 million In Q1FY16. The net debt as on 30th June, 2016 stands at Rs 376.6 billion, including all 'Deferred Payment Obligation' for spectrum.

The 'Net Debt' to 'Annualized Q1FY17 EBITDA' stands at 3.06. With adoption of Ind AS, the financial reporting of Indus (Associate) and ABIPBL (Joint Venture) will now be consolidated at PAT level only. Accordingly, the Consolidated Total Comprehensive Income (including 16% share from Indus & 49% from ABIPBL) stands at Rs. 2,171 million against Rs. 8,516 million in Q1FY16.

The company stands for reach, relevance and resilience and will always remain nimble & adaptive to evolving market conditions. Idea, the fastest growing Indian Telco for last 8 years on the power of volume led growth strategy, strong brand affinity, accelerated pan India infrastructure spread and proven execution track record, remains confident to tap all emerging opportunities in mobile voice and broadband business.

#### 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 (@16%) and Payments Bank (@49%) 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, 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 19.3% (Q4FY16). 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.