



## Media Release

Mumbai –July 27, 2017

Idea Cellular announces un-audited Ind AS results for the First Quarter (Q1) ended June 30, 2017

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

Revenue - Rs. 81,665 million, EBITDA - Rs. 18,753 million, PAT - Rs. -6,170 million

	INR million				
	Q1FY18	Q4FY17	Q1FY17	QoQ Change	YoY Change
Revenue - Established Service Areas <sup>3</sup>	75,784	75,260	88,051	0.7%	-13.9%
Revenue - New Service Areas <sup>4</sup>	5,881	6,002	6,815	-2.0%	-13.7%
<b>Total Revenue</b>	<b>81,665</b>	<b>81,261</b>	<b>94,866</b>	<b>0.5%</b>	<b>-13.9%</b>
EBITDA - Established Service Areas <sup>3</sup>	20,169	22,445	32,024	-10.1%	-37.0%
EBITDA - New Service Areas <sup>4</sup>	-1,416	-1,246	-1,076	-13.6%	-31.5%
<b>Total EBITDA</b>	<b>18,753</b>	<b>21,199</b>	<b>30,948</b>	<b>-11.5%</b>	<b>-39.4%</b>
EBITDA% - Established Service Areas <sup>3</sup>	26.6%	29.8%	36.4%	-3.2%	-9.8%
EBITDA% - New Service Areas <sup>4</sup>	-24.1%	-20.8%	-15.8%	-3.3%	-8.3%
<b>EBITDA%</b>	<b>23.0%</b>	<b>26.1%</b>	<b>32.6%</b>	<b>-3.1%</b>	<b>-9.7%</b>
Depreciation & Amortisation	20,679	19,885	19,192	4.0%	7.8%
EBIT	-1,926	1,314	11,756	-246.6%	-116.4%
Interest and Financing Cost (Net)	11,538	9,366	9,429	23.2%	22.4%
Dividend from Indus	2,657	-	3,623	-	-26.6%
PBT	-10,807	-8,052	5,949	-34.2%	-281.7%
<b>PAT (Standalone<sup>1</sup>)</b>	<b>-6,170</b>	<b>-4,300</b>	<b>4,971</b>	<b>-43.5%</b>	<b>-224.1%</b>
<b>Cash Profit<sup>5</sup> (Standalone)</b>	<b>9,608</b>	<b>12,494</b>	<b>25,209</b>	<b>-23.1%</b>	<b>-61.9%</b>
Share of Profit from Indus & ABIPBL	818	983	1,035	-16.7%	-21.0%
Deferred Tax on Undistributed earnings of Indus	140	-41	179	-442.7%	-22.1%
Other Comprehensive Income (net of Tax)	-10	21	-33	-146.8%	70.3%
<b>Total Comprehensive Income (Consolidated<sup>2</sup>)</b>	<b>-8,159</b>	<b>-3,256</b>	<b>2,171</b>	<b>-150.6%</b>	<b>-475.9%</b>

### Mobile Services Industry continues to witness disruption

The upheaval in the Indian wireless industry continued in Q1FY18, despite the new entrant slowly migrating from 'Free Services' to 'Paid Services' but with heavily discounted unlimited voice and data pricing plans. Amidst this market aggression, existing operators including Idea also introduced similar competitive unlimited price plans, which is likely to result in decline of industry revenues, although the impact of the same is expected to be more pronounced on non-4G operators. These aggressive tariff offerings by Idea, led by unlimited voice and data bundled plans, resulted in steep decline of voice and mobile data realisation rates. However, for the company, the fall in realisation rates was largely compensated by a substantial volume growth in both mobile voice and data segments. As a result, Idea standalone revenue of Rs. 81,665 million in Q1FY18 registered a marginal growth of 0.5% compared to Rs. 81,261 million in Q4FY17.



During Q1FY18, the sequential quarterly voice minutes grew by a healthy 8.4% to 250.7 billion minutes (vs. 231.4 billion minutes in Q4FY17), while the voice realisation rate fell by 5.7% to 24.4 paisa/min (vs. 25.9 paisa in Q4FY17). Mobile data volume witnessed a meteoric growth of 99.1% on sequential quarterly basis as Idea's large Pan India network, primarily its Wireless Broadband Network, carried 252.8 billion Mega Bytes in Q1FY18, nearly double the traffic consumption in Q4FY17. However, the mobile data rate (ARMB) saw an unprecedented decline of 52.9%, reaching to as low as 5.4 paisa/MB (vs. 11.5 paisa in Q4FY17).

In spite of the current challenging industry scenario, Idea has been successful in sustaining its market competitiveness and added 15.8 million VLR subscribers over last 12 months, taking the EoP subscriber base (VLR) to 199 million as of 30<sup>th</sup> June, 2017. Idea maintained its 'Subscriber Market Share' (VLR) at 19.5% (May'17) and 'Revenue Market Share' @ 18.9% (FY17).

### **Investment in long-term value creators**

During last two years (Q1FY16 to Q1FY18), Idea has aggressively expanded its wireless broadband infrastructure by 3.5 times adding 83,765 sites (3G+4G), expanding the network to 117,386 broadband sites (3G+4G). Idea's wireless broadband network (3G+4G) now covers 524 million Indians across all 22 service areas in ~106,000 towns and villages. With the addition of 46,576 4G sites in the same period, the company rapidly expanded its 4G-LTE presence to ~47,000 towns & villages and now covers 30.2% population (353 million Indians) in 20 service areas.

4G network is fast emerging as the preferred platform for mobile data consumption amongst Indian subscribers. While the total Mobile data users on Idea network declined from 42.2 million (Q4FY17) to 38.1 million (Q1FY18), 4G subscribers more than doubled from 3.1 million (Q4FY17) to 6.5 million (Q1FY18). Further, the data usage on 4G platform exploded to 67.6 billion MB in Q1FY18 (from 18.7 billion MB in Q4FY17), sequential quarterly growth @ 262%. Despite such accelerated growth in 4G data volume, Idea's 4G network utilization (excluding still to be deployed 2300 MHz and 2500 MHz capacity spectrum) remains below 30%. The planned deployment of 2300 MHz or 2500 MHz spectrum band in 5 of its leadership markets during the current financial year will further boost Idea's 4G capacity in these key markets. Additionally, the company also remains on course to introduce VoLTE – Voice services on 4G LTE network by early Calendar Year 2018.

In order to support the burgeoning demand of mobile broadband services, Idea also increased its Fibre network by nearly 53,000 km (95,100 km in Q1FY16 to 148,100 km in Q1FY18). The company's Gross Investment in Fixed Assets has now risen to over Rs 1,195 billion, a net addition of Rs 545 billion over the last 24 months.

The capex spend for the quarter was Rs. 11.7 billion, mainly funded from Cash Profit of Rs. 9,608 million. The capex guidance for FY18 stands at Rs. 60 billion.

### **Subdued Q1FY18 financial performance**

In the environment of steep rate fall and capacity expansion, EBITDA for the company during the quarter declined by 11.5% to Rs. 18,753 million compared to Rs. 21,199 million in Q4FY17, largely due to higher operating cost related to Roaming and Access (as outgoing minutes increased) and Network expenses. The EBITDA margin for the quarter declined from 26.1% in Q4FY17 to 23% in Q1FY18.



ADITYA BIRLA GROUP

Additionally, the full quarter impact of Spectrum acquired by Idea in Oct'16 resulted in 'Depreciation & Amortisation' charge increasing to Rs. 20,679 million and 'Interest & Financing Cost (Net)' rising to Rs. 11,538 million. During Q1FY18, the Company received from Indus dividend of Rs. 2,657 million. Idea is reporting a PAT loss, after accounting for the dividend from Indus, of Rs. 6,170 million (v/s PAT loss of Rs. 4,300 million in Q4FY17) on standalone basis.

The financial stress in the Mobile sector remains at its peak, post the introduction of aggressive unlimited bundled plans by new entrant forcing other operators to follow. Resultantly, all 'Telecom Service Providers' are reporting steep decline in revenues, profitability and cash flows and all but one Indian Wireless Operator quarterly results are likely to show significant financial losses.

The Net Debt as on June 30, 2017 stands at Rs. 539.2 billion, including a large component of debt from DoT under 'Deferred Payment Obligation' for Spectrum acquired in Auctions. The consolidated Total Comprehensive Income (including share from Indus & ABIPBL) stands at a loss of Rs. 8,159 million in Q1FY18 (v/s Rs. 3,256 million in Q4FY17).

### **Merger Update**

On 20<sup>th</sup> 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 transaction is subject to approval from the relevant regulatory authorities & Idea's shareholders. The company has recently received approval for the proposed combination from the 'Competition Commission of India', one out of the four main approvals required for combination of Vodafone India (mobile business) and Idea Cellular Ltd. The Scheme of Arrangement has already been filed with SEBI & Stock Exchanges and is waiting for their approvals.

In the meantime, Idea remains nimble, agile, adaptive, and focused on its execution capabilities. The company continues to strive for improving its capacity utilisation, optimising costs and delivering sustainable benefits to the consumers. Idea remains hopeful that post the current round of short term challenges; it will be able to capitalise on the emerging opportunities in mobile voice, wireless data business, digital content and mobile banking as telecom market invariably moves towards consolidation with likely 5 major providers.

#### **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 is the third largest wireless operator in India with a Revenue Market Share of 18.8% (Q4FY17). 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 35 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.