



## Media Release

Mumbai – July 30, 2018

Idea Cellular Ltd. (Idea) announces unaudited Ind AS results for the First Quarter (Q1) ended June 30, 2018

### Highlights for the First Quarter Results -

- Revenue of Rs. 58.9 billion, a QoQ decline of 2.9% on normalized basis (reported decline @ 4.0%)
- EBITDA of Rs. 6.6 billion, a QoQ decline of Rs. 2.8 billion on normalized basis (reported decline of Rs. 7.9 billion)
- QoQ volume growth sustained - Voice Minutes growth @ 5.8%, Data Volume growth @24.5%

### Other Highlights -

- Idea – Vodafone merger received final approval from DoT, merger expected to close shortly
- Completion of sale of standalone towers to ATC - Enterprise value of Rs. 40 billion, resulting in profit of Rs. 33.6 billion.
- Idea launched VoLTE services across all 20 circles where it holds 4G spectrum

	Q1FY19	Q4FY18	Q1FY18	INR MN	
				YoY Change	
				Absolute	%
Revenue	58,892	61,373	81,665	-22,773	-27.9%
EBITDA	6,595	14,473	18,753	-12,159	-64.8%
EBITDA%	11.2%	23.6%	23.0%	-11.8%	NA
Depreciation & Amortisation	20,924	20,854	20,679	244	1.2%
Interest and Financing Cost (Net)	13,844	9,743	11,538	2,306	20.0%
Dividend from Indus	2,990	-	2,657	332	12.5%
Gain on Sale of ICISL	33,645	-	-	33,645	NA
PBT	8,461	-16,124	-10,807	19,268	NA
<b>PAT (Standalone<sup>1</sup>)</b>	<b>5,092</b>	<b>-10,179</b>	<b>-6,170</b>	<b>11,262</b>	<b>NA</b>
<b>Cash Profit<sup>3</sup> (Standalone)</b>	<b>-4,416</b>	<b>4,377</b>	<b>9,608</b>	<b>-14,024</b>	<b>-146.0%</b>
Share of Profit/(Loss) from Indus & ABIPBL	599	744	818	-219	-26.8%
<b>Total Comprehensive Income (Consolidated<sup>2</sup>)</b>	<b>2,636</b>	<b>-9,306</b>	<b>-8,159</b>	<b>10,795</b>	<b>NA</b>

### Another challenging quarter with sustained rate pressure, explosive volume growth maintained

During Q1FY19, Indian mobile industry continued to decline under pressure from heavily discounted unlimited voice and bundled data plans & subsidised 4G feature phone offerings from one of the operator, forcing commensurate response from other existing mobile operators to retain subscribers. The sector presently offers 'Voice & Data' unlimited bundles at unsustainable below cost price levels impacting the financials of all incumbent operators. As existing customers continue to prefer lower value deep discounted unlimited voice and bundled data plans, the 'Average Revenue Per User' (ARPU) remained under pressure.

The revenue for the quarter declined to Rs. 58,892 million in Q1FY19, as against Rs. 61,373 million in Q4FY18 mainly on account of down trending of ARPU, representing a normalised decline of 2.9% QoQ, after adjusting for impact of exclusion



of one month tower revenue (on completion of sale transaction of Idea standalone towers to ATC on May 31, 2018) and full quarter impact of TRAI directed International IUC rate reduction (vs 2 months impact in last quarter). The EBITDA for the quarter stands at Rs. 6,595 million. The ARPU for the quarter is Rs. 100 as against Rs. 105 in Q4FY18. Idea's VLR subscribers as on June 30, 2018 stands at 203.4 million with a market share of 20.9% (May 2018), an improvement of 1.4% compared to May 2017.

The increasing adoption of unlimited voice and bundled data plans continued to drive significant volume consumption of mobile voice and broadband data. The quarterly voice minutes at 349.5 billion, grew at a staggering rate of 39.4% vs. 250.7 billion minutes in Q1FY18. The monthly voice consumption (per user) has risen exponentially to 609 minutes from 441 minutes per months in Q1FY18.

Similarly, broadband data usage per broadband data subscriber has risen sharply to monthly usage of 8GB in Q1FY19, compared to 3GB per month a year back. In Q1FY19, the broadband data volumes reached record level of 992 billion MB, more than 4 times compared to mobile broadband data volumes a year back. The company's wireless broadband subscriber (EoP) base now stands at ~41 million, an addition of 14.6 million broadband data customers over last one year. During the quarter, Idea completed the rollout of Voice over LTE (VoLTE) services across 20 – 4G Telecom Circles. With the merger round the corner, the 4G network rollout was muted during the quarter but expected to gather momentum in the remaining three quarters.

### **Nearly ready for Birth of New Idea – Vodafone Idea limited**

With the receipt of final DoT approval for merger Vodafone India Ltd. (VIL) & Vodafone Mobile Services Ltd. (VMSEL) with Idea, the company is in the final phase of merger completion. The combined entity named 'Vodafone Idea Ltd.' will be India's largest mobile operator and the 2<sup>nd</sup> largest in the world, with nearly 408 million subscribers. The leadership team of Vodafone Idea Ltd. has already been announced on March 22, 2018 and the new management is ready with an extensive plan to consolidate the operations and network of the two companies in a phased manner. The key focus area for the merged team will be to fast forward the substantial cost synergies with an estimated NPV of ~\$10bn and rapidly expand the broadband coverage and capacity by redeployment of overlapping equipment & refarming /consolidation of spectrum etc.

Both the companies currently, under 'Active infrastructure sharing' and 'ICR (Intra Circle Roaming) arrangements' are already sharing nearly 66,000 sites.

### **Update on Asset Monetisation & Fund Raising**

The sale transaction of Idea Standalone towers to ATC was completed on May 31, 2018 for an enterprise value of Rs. 40 billion. In the meantime, the announced merger of Bharti Infratel & Indus Towers is on track with steady progress on regulatory approval. Bharti Infratel's release stated that the merger with Indus is estimated to be completed by end of Financial Year 2019, giving Idea the option of monetising its stake in Indus.

To summarise, with equity infusion of Rs. 67.5 billion by Idea in Q4FY18, sale of standalone tower of Idea & Vodafone for Rs. 78.5 billion (including Rs. 38.5 billion of Vodafone India in Q4FY18), planned equity infusion by Vodafone Group Plc to



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reduce Vodafone India's debt (in line with merger agreement) and option of monetizing Idea's 11.15% Indus stake available by March 2019, the company has primarily completed this phase of augmenting its long term capital resources.

While near term challenges persist, long term opportunities in the mobile sector continue to remain attractive. With the exit of subscale operators, consolidation of Industry structure is nearly complete. Also, with the introduction of bundled plans, Indian mobile customer's habits has permanently settled at higher consumption of Voice & Data services. Once the current phase of below cost tariffs is over, it is inevitable that the Industry ARPU will revive. Additionally, the low rural penetration, improving adoption of data users and SIM consolidation augur well for long term prospects of existing large mobile operators.

**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. Cash Profit is calculated as summation of PAT, Depreciation & Amortisation, charge on account of ESOPs, charge on account of Deferred tax (excluding MAT) excluding exceptional (gain)/loss for relevant period (net of tax).
4. 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 16.6% of the Indian mobile telecommunications services industry (excluding wireline revenue for Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited) for the Q4FY18. 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.