



## Media Release

Mumbai – November 13, 2017

Idea Cellular announces un-audited results for the Second Quarter (Q2) and Half Year ended September 30, 2017

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

Revenue - Rs. 74,654 million,                      EBITDA - Rs. 15,016 million,                      PAT - Rs. -11,760 million

	INR million				
	Q2FY18	Q1FY18	Q2FY17	QoQ Change	YoY Change
Revenue - Established Service Areas <sup>3</sup>	69,239	75,784	86,112	-8.6%	-19.6%
Revenue - New Service Areas <sup>4</sup>	5,415	5,881	6,890	-7.9%	-21.4%
<b>Total Revenue</b>	<b>74,654</b>	<b>81,665</b>	<b>93,002</b>	<b>-8.6%</b>	<b>-19.7%</b>
EBITDA - Established Service Areas <sup>3</sup>	16,482	20,169	29,846	-18.3%	-44.8%
EBITDA - New Service Areas <sup>4</sup>	-1,465	-1,416	-1,474	-3.5%	0.6%
<b>Total EBITDA</b>	<b>15,016</b>	<b>18,753</b>	<b>28,372</b>	<b>-19.9%</b>	<b>-47.1%</b>
EBITDA% - Established Service Areas <sup>3</sup>	23.8%	26.6%	34.7%	-2.8%	-10.9%
EBITDA% - New Service Areas <sup>4</sup>	-27.1%	-24.1%	-21.4%	-3.0%	-5.7%
<b>EBITDA%</b>	<b>20.1%</b>	<b>23.0%</b>	<b>30.5%</b>	<b>-2.8%</b>	<b>-10.4%</b>
Depreciation & Amortisation	21,143	20,679	19,543	2.2%	8.2%
EBIT	-6,127	-1,926	8,829	-218.1%	NA
Interest and Financing Cost (Net)	11,829	11,538	8,725	2.5%	35.6%
Dividend from Indus	-	2,657	-	-	-
PBT	-17,956	-10,807	105	-66.2%	NA
<b>PAT (Standalone<sup>1</sup>)</b>	<b>-11,760</b>	<b>-6,170</b>	<b>43</b>	<b>-90.6%</b>	<b>NA</b>
<b>Cash Profit<sup>5</sup> (Standalone)</b>	<b>2,885</b>	<b>9,608</b>	<b>19,406</b>	<b>-70.0%</b>	<b>-85.1%</b>
Share of Profit from Indus & ABIPBL	843	818	1,057	3.1%	-20.2%
Deferred Tax on Undistributed earnings of Indus	148	140	186	6.0%	-20.3%
Other Comprehensive Income (net of Tax)	-12	-10	-14	-22.5%	14.5%
<b>Total Comprehensive Income (Consolidated<sup>2</sup>)</b>	<b>-11,077</b>	<b>-8,159</b>	<b>900</b>	<b>-35.8%</b>	<b>NA</b>

### Seasonally slow quarter witnessed high competition, regulatory changes and industry consolidation

The operating environment for Indian mobile operators remained challenging with unrelenting pressure on pricing, introduction of GST @18% (compared to service tax @15%) and need for large investments to support the exploding data demand. The significant financial pressure forced the sub-scale operators with limited or no 4G footprint to exit or combine with other operators, leading to faster than expected mobile industry consolidation.

While seasonal industry slowdown followed the past trends, as always 'July to September 2017 quarter' impact on Idea's subscribers and revenue loss was more pronounced given its higher share of rural subscribers. This coupled with continued pricing pressure and GST change, resulted in overall company revenue declining to Rs. 74,654 million, a reduction of 8.6% compared to Rs. 81,665 million in Q1FY18. Competitively, Idea maintained its 'Subscriber Market Share' (VLR) at 19.4% (Aug'17) and 'Revenue Market Share' @ 18.9% (Q1FY18).



As industry operating tariffs tumble, voice and data volume growth partially compensated the steep rate fall. During this low demand period, the sequential quarterly voice minutes grew by 1.7% to 255 billion minutes (vs decline of 1.9% in Q2FY17) and mobile data volume (2G+3G+4G) witnessed strong sequential growth of 73.5% (on back of 99.1% growth in Q1FY18) as Idea's pan India data network carried 438.7 billion MB. The broadband data usage (3G+4G) has nearly doubled to 413 billion MB in Q2FY18 from 228.8 billion MB in Q1FY18. While the total mobile data users on Idea network remained flat at 38.2 million, the broadband (3G+4G) subscribers increased by 3.2 million to 29.6 million in Q2FY18.

The rate realisation continued its free fall in Q2FY18 as voice realisation rate fell by 9.9% to 22.0 paisa/min (vs 24.4 paisa in Q1FY18) and mobile data realisation saw a sharp decline of 49.2% to 2.7 paisa/MB (vs 5.4 paisa in Q1FY18). The revenue per subscriber (ARPU) also fell by 6.6% to Rs. 132 (vs Rs. 141 in Q1 FY18).

### **Idea introduces mass market unlimited voice and bundled data price plans**

With the introduction of unlimited voice (Local + STD) and bundled data price plans, the consumption habits of Indian mobility users is undergoing a sea change. As Indian customers graduate to higher ticket unlimited/bundled plans, the mobile service consumption trends are shifting from 'snacking' to 'buffet' with marked higher per subscriber usage. The company recently introduced three pan India mass market prepaid price plans for all its 2G, 3G and 4G handset customers.

(a) Rs. 179 - Unlimited voice and 1GB only data valid for 21/28 days (validity varies across telecom circles)

(b) Rs. 357 - Unlimited voice and 1.5 GB per day data valid for 28 days

(c) Rs. 449 - Unlimited voice and 1GB per day data valid for 70 days (@Rs. 498 in 5 leadership markets)

The Rs. 357 and Rs. 449 prepaid price plans are bundled with free roaming and unlimited SMS (100 SMS/day).

More details are available on Idea's website [www.ideacellular.com](http://www.ideacellular.com)

### **Accelerated broadband Investments to support strong data demand**

Over the period of last two years, Idea has aggressively expanded its mobile broadband infrastructure and added 93,818 broadband (3G+4G) sites. Idea has multiplied its broadband sites by 3.4 times in last two years and the overall broadband sites now stands at 133,685, higher than the unique 2G sites built over a span of last 21 years. Idea's wireless broadband network (3G+4G) population under coverage now exceeds 568 million Indians (46.9% of Indian population) across 22 service areas spread over 121,446 towns and villages.

As 4G adoption rate is ahead of initial company estimates primarily driven by affordable smartphones, expanding 4G coverage and world's lowest 'voice and mobile broadband tariffs', almost all of Idea's incremental network capital investments is allocated to 4G expansion (including fibre and capacity). The 4G population under coverage has nearly tripled from 14.8% (~170 mn) in Q2FY17 to 38.1% (~450 mn), reflecting Idea's aggressive intent to participate in emerging 4G consumer market. Further, the planned deployment of 2300 MHz or 2500 MHz spectrum band in many 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 its own VoLTE – 'Voice over LTE' by early calendar year 2018.



In order to support the burgeoning demand of mobile broadband services, Idea has also increased its fibre backbone network by more than 50,000 kms (100,400 km in Q2FY16 to 150,500 km in Q2FY18). On overall terms Idea's Gross Investment in Fixed Assets has now risen to over Rs 1,222 billion, a net addition of Rs. 486 billion (capex + spectrum) during the last 24 months. The capex spend for the current quarter was Rs. 19.7 billion.

In October 2017, Idea and Vodafone India have entered into Active Infrastructure sharing arrangement, to avoid duplication of spends and make best use of capex, and both operators have started to enjoy expanded coverage from such shared sites. Similarly, additional 4G coverage in nearly 5,000 new towns and neighbouring villages for each operator is under discussion/ testing and the company expects to close the new 4G ICR arrangements with Vodafone India at the earliest.

### **Subdued Q2FY18 financial performance given challenging environment**

With steep decline in revenue, the EBITDA for the quarter declined by 19.9% to Rs. 15,016 million compared to Rs. 18,753 million in Q1FY18, largely due to lower revenue and higher operating cost related to 'Roaming & Access' (as outgoing minutes increased) and 'Manpower' due to annual increments. The EBITDA margin for the quarter declined to 20.1% from 23% in Q1FY18.

Additionally, the 'Depreciation & Amortisation' charge increased to Rs. 21,143 million and 'Interest & Financing Cost (Net)' rose to Rs. 11,829 million as the company continued to aggressively invest in expanding its 4G footprint. The standalone PAT loss for the quarter stands at Rs. 11,760 million (vs PAT loss of Rs. 8,827 million in Q1FY18 excluding Indus dividend).

The Net Debt as on September 30, 2017 stands at Rs. 541 billion, including a large component of debt from DoT under 'Deferred Payment Obligation' for Spectrum acquired in Auctions.

The consolidated Total Comprehensive Income (including proportionate share from Indus & ABIPBL) stands at a loss of Rs. 11,077 million in Q2FY18 (vs loss of Rs. 8,159 million in Q1FY18).

### **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 with complementary footprint and amongst highest overall spectrum holding of 1,850 MHz across multiple bands. The merger transaction is subject to approval from the relevant regulatory authorities. During the quarter, the company received approval for the proposed combination from (a) 'Competition Commission of India' (CCI) and (b) SEBI & Stock Exchanges. The company subsequently filed its scheme of arrangement with National Company Law Tribunal (NCLT), Ahmedabad on 7<sup>th</sup> August 2017. On 12<sup>th</sup> October 2017, Idea under NCLT's supervision organized meeting of its shareholders, secured creditors and unsecured creditors and received their approval for the merger. Final petition for approval of the Scheme of Arrangement has since been filed with NCLT. The merger of Idea and Vodafone India is on track.

As a part of the Idea & Vodafone India merger announcement of 20<sup>th</sup> March, 2017 both the parties had announced their intention to sell their standalone tower businesses to strengthen the balance sheet of the combined entity. Today, Idea and Vodafone, through a joint press release announced the companies have separately agreed to sell



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their respective standalone tower businesses in India to ATC Telecom Infrastructure Private Limited (“American Tower”) for an aggregate enterprise value of Rs. 78.5 billion. In the event that the completion of the sale of the standalone tower businesses precedes the completion of the proposed merger, Idea will receive Rs. 40.0 billion. On completion of Idea and Vodafone India merger, ~6,300 co-located tenancies on the combined standalone tower businesses will be merged into single tenancy, within a staggered period of two years, without a penalty fee. Further details of the transaction have been separately provided in today’s joint press release by Idea & Vodafone.

In the meantime, Idea remains nimble, agile, adaptive, and focused on its execution capabilities. The company continues to strive for building capacity, optimising costs and delivering sustainable benefits to the consumers. Idea expects to benefit from faster than anticipated consolidation of industry and emerge as one of the three major mobile service providers for both voice and broadband services across 2G, 3G and 4G platforms. Idea remains focused on tapping all the emerging opportunities in mobile voice, wireless data business, digital content and mobile banking, etc.

**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 18.9% (Q1FY18). 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.