Media Release

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Idea Cellular announces un-audited Ind AS results for the Third Quarter (Q3) and Nine Month ended December 31, 2016

Highlights Standalone[1] Results -

- Revenue – Rs 86,627 million, EBITDA – Rs 21,655 million, PAT – Rs (4,789) million

INR mn

	Q3FY17	Q2FY17	YTD FY17	YTD FY16	YoY Change
Revenue - Established Service Areas[3]	80,163	86,112	254,326	247,471	2.8%
Revenue - New Service Areas[4]	6,464	6,890	20,169	17,240	17.0%
Total Revenue	**86,627**	**93,002**	**274,496**	**264,711**	**3.7%**
EBITDA - Established Service Areas[3]	23,283	29,825	84,990	91,433	-7.0%
EBITDA - New Service Areas[4]	-1,628	-1,424	-4,192	-5,101	17.8%
Total EBITDA	**21,655**	**28,401**	**80,798**	**86,333**	**-6.4%**
EBITDA% - Established Service Areas[3]	29.0%	34.6%	33.4%	36.9%	-3.5%
EBITDA% - New Service Areas[4]	-25.2%	-20.7%	-20.8%	-29.6%	8.8%
EBITDA%	**25.0%**	**30.5%**	**29.4%**	**32.6%**	**-3.2%**
Depreciation & Amortisation	19,653	19,543	58,387	43,783	33.4%
EBIT	2,002	8,858	22,411	42,549	-47.3%
Interest and Financing Cost (Net)	9,232	8,753	27,209	10,057	170.5%
Dividend from Indus	-	-	3,623	-	
PBT	-7,230	105	-1,176	32,492	
PAT (Standalone[1])	**-4,789**	**43**	**225**	**20,232**	**-98.9%**
Cash Profit [5] (Standalone)	**12,276**	**19,407**	**56,891**	**73,208**	**-22.3%**
Share of Profit from Indus & ABIPBL	1,143	1,057	3,235	3,052	6.0%
Deferred Tax on Undistributed earnings of Indus	-193	-186	-558	-519	-7.7%
Other Comprehensive Income (net of Tax)	-17	-14	-65	-114	43.4%
Total Comprehensive Income (Consolidated[2])	**-3,856**	**900**	**-784**	**22,651**	

The Indian mobile industry witnessed an unprecedented disruption in the quarter of October to December 2016, primarily due to free voice & mobile data promotions by the new entrant in the sector. Consequently, revenue KPIs and financial parameters for all mobile operators have sharply declined, and for the first time in its history the flourishing Indian wireless sector is trending towards an annual revenue decline of 3 to 5% in FY2017 (vs FY16). The sector can expect to recover revenues only once the new operator starts charging for its pan India mobile services.

As a result of this current industry upheaval, the standalone Idea revenue dropped to an unforeseen level at Rs. 86,627 million, a decline of 6.9% on sequential quarterly basis and standalone EBITDA fell to Rs. 21,655 million, a steep drop of 23.8%. The Q3FY17 EBITDA margin @ 25% is lower by 5.5% against EBITDA margin of 30.5% in Q2FY17, impacted by the free offerings of new operator along with minor effects of demonetisation.

In an effort to retain its existing mobile subscribers, Idea was forced to reduce on sequential quarterly basis its voice rates by 10.6% to 29.6 paisa per minute (vs. 33.1 paisa in Q2FY17) and drop its mobile data rates (ARMB) by 15.2% to 15.9 paisa per megabyte (vs. 18.7 paisa in Q2FY17). Despite an unprecedented outgoing voice rate fall, the lure of free offerings resulted in lower than normal volume elasticity with the quarterly sequential voice minutes growing only by 7.3% to 210 billion minutes (vs. 195.5 billion minutes in Q2FY17), that too led by double digit growth in incoming call volume. The higher blended voice realisation rate fall was also an outcome of the tsunami of minutes terminating on Idea's network from the new operator resulting in overall higher ratio of subsidised incoming minutes recovered at below cost IUC settlement rates.

The impact of free promotions was even more pronounced on mobile data business. Idea, for the first time, witnessed a decline of 5.5 million mobile data customers on sequential quarter basis with overall mobile data subscriber (2G+3G+4G) base receding to 48.6 million (vs 54.1 million in Q2FY17). In spite of a massive mobile data rate drop of 15.2% , mobile data volume elasticity was negligible as overall Idea mobile data volume grew only by 1.3% (vs Q2FY17) to 108.8 billion megabyte, though the per subscriber data usage grew marginally to 703 megabyte against 694 megabyte in Q2FY17. Consequently, the data ARPU per data subscriber (2G+3G+4G) fell to Rs. 111 against Rs. 130 in Q2FY17. The 'Non Voice Revenue' (including mobile data) contribution to the overall service revenue fell to 27.2% as mobile data revenue contribution declined to 20.2% level.

Separately on voice subscriber addition, Idea withstood the unprecedented attack by new entrant, adding a healthy 5.6 million new customers (on VLR) during the quarter taking the VLR subscriber EoP base to 192.1 million as on 31st December, 2016 – providing future platform for growth in Mobile Voice, Wireless Broadband, Digital Services and Mobile banking post this disruptive phase. Competitively, Idea continues to strengthen its market position with its Revenue Market Share (RMS) expanding to 18.7% (Q2FY17), an increase of 0.3% compared to Q2FY16, while maintaining its subscriber market share (on VLR) at 19.5% (November 2016).

In spite of short term challenges, Idea remains committed to the process of building world class mobile broadband services. The company is aggressively participating in the Digital India mission and is gearing to offer **'Pan India wireless broadband services (3G and/or 4G) by March/April 2017**' in all 22 telecom service areas from existing 17 service areas. As a part of this mission, in February, 2017 Idea launched its 4G services on 2100 MHz spectrum band in UP-East service area, expanding Idea 4G services to 12 telecom service areas.

Over the last two calendar years (2015 & 2016), Idea has expanded its telecom infrastructure by 69% adding 95,302 network sites (2G+3G+4G), including nearly quadrupling its Wireless Broadband sites (3G+4G) from 27,744 in Q3FY15 to 1,00,615 in Q3FY17. The wireless broadband population under coverage now reaches to nearly 500 million Indians in 17 service areas. During the same two years, the company has also increased its Fibre network by nearly 50% from 90,200 km (Q3FY15) to 133,800 km in Q3FY17. Idea's Gross Investment in Fixed Assets has risen now to over Rs 1,158 billion, an addition of ~Rs. 559 billion in last 24 months, and monetisation of this front loaded large investment is inevitable in future 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 the ability to roll out Broadband Networks which can carry 15-20 times of current mobile data traffic.

While the company continues to expand its scale of operation, this tumultuous phase of the Industry has subdued Idea's EBITDA to Rs. 21,655 million. Further, last two years of high investments has increased the 'Depreciation and Amortization' charges to Rs. 19,653 million and 'Interest and Finance cost (net)' to Rs. 9,232 million thereby resulting in Idea reporting a PAT loss of Rs. 4,789 million on standalone basis in Q3FY17 – a first in last 40 quarters since its IPO in 2007.

The net debt as on 31st December, 2016 stands at Rs. 491.4 billion, including a larger proportion of this debt from DoT under 'Deferred payment obligation' for spectrum acquired in last four spectrum 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 Rs. (3,856) million against a surplus of Rs. 900 million in Q2FY17.

During this quarter, Idea subsidiary Aditya Birla Telecom Limited (ABTL) received approval from Mumbai High Court for reduction of its capital. As part of this reduction exercise, effective from February 01, 2017 P5 Asia Holding Investments (Mauritius) Limited has received from ABTL Indus Shareholding @ 4.85%, consequently ABTL now holds only 11.15% in Indus Tower Limited.

In Q3FY17, Idea capex spend was Rs. 20 billion (excluding forex & interest capitalisation), partially funded by cash profit of Rs. 12.3 billion. Idea's vast network of 2,32,977 sites (1,32,362 2G sites, 66,661 3G sites, 33,954 4G sites) and 133,800 Kms of fibre now offers its GSM services to over 1 billion Indians across 4,00,000 towns and villages. Further, Idea's mobile broadband services are now available to around 500 million Indians across nearly 1,00,000 towns & villages in 17 service areas.

Idea added 9,009 4G sites during the quarter, reaching 33,954 4G sites, covering 37.6% of population (211 million Indians) spread across nearly 19,000 towns and villages in 11 service areas. Additionally, in Q3FY17, the company expanded its 3G network by 6,194 sites reaching overall 3G sites count to 66,661. Idea's own 3G services covers 57.2% of Indian population (395 million) spread across 89,000 towns and villages in 13 service areas. The company is gearing to expand its 3G services to 15 service areas on its own Spectrum with slated launch of 3G services in Rajasthan & Bihar telecom circles by March/April 2017.

On 30th January, 2017 the company announced its arrival into the digital world with the launch of 3 new exciting Mobile Apps – Idea Music Lounge, Idea Movie Club, and Idea Game Spark – giving birth to a "Digital Idea". The new suite of integrated Digital Apps present one of the best ranges of entertainment content for Idea's 192 Million plus customer base. The company is targeting to cater to the growing demand for consumption of digitized content on mobile devices by evolving Indian mobile users. The company's mission for Digital Idea is based on the concept of Digital inclusion rather than disruption. With the launch of these Apps, Idea has begun its transformation from a 'Pure play mobile operator' to an 'Integrated Digital Services and Solutions Provider'.

The present large scale disruption in the sector signals that the industry is fast transitioning from the current fragmented 'multi-operator' structure to a more consolidated state. Idea with last 8 years of strong track record of execution, profitability & customer centricity is confident of strengthening itself as it marches on its mission of competitive & sustainable growth.

Notes:

1. Idea Standalone represents Idea, and its 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, 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% (Q2FY17). 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.