



Media Release

Mumbai – January 24, 2018

Idea Cellular announces un-audited results for the Third Quarter (Q3) ended December 31, 2017

Highlights Standalone¹ Results -

Revenue - Rs. 65,097 million, EBITDA - Rs. 12,233 million, PAT - Rs. -13,519 million

	INR million				
	Q3FY18	Q2FY18	Q3FY17	QoQ Change	YoY Change
Revenue - Established Service Areas ³	60,660	69,239	80,163	-12.4%	-24.3%
Revenue - New Service Areas ⁴	4,437	5,415	6,464	-18.1%	-31.4%
Total Revenue	65,097	74,654	86,627	-12.8%	-24.9%
EBITDA - Established Service Areas ³	14,001	16,482	23,565	-15.1%	-40.6%
EBITDA - New Service Areas ⁴	-1,768	-1,465	-1,648	-20.6%	-7.3%
Total EBITDA	12,233	15,016	21,917	-18.5%	-44.2%
EBITDA% - Established Service Areas ³	23.1%	23.8%	29.4%	-0.7%	-6.3%
EBITDA% - New Service Areas ⁴	-39.8%	-27.1%	-25.5%	-12.8%	-14.3%
EBITDA%	18.8%	20.1%	25.3%	-1.3%	-6.5%
Depreciation & Amortisation	21,414	21,143	19,653	1.3%	9.0%
EBIT	-9,181	-6,127	2,265	-49.9%	NA
Interest and Financing Cost (Net)	11,490	11,829	9,495	-2.9%	21.0%
PBT	-20,671	-17,956	-7,230	-15.1%	-185.9%
PAT (Standalone¹)	-13,519	-11,760	-4,789	-15.0%	-182.3%
Cash Profit⁵ (Standalone)	200	2,884	12,276	-93.1%	-98.4%
Share of Profit from Indus & ABIPBL	818	843	1,143	-3.0%	-28.5%
Deferred Tax on Undistributed earnings of Indus	145	148	193	-2.4%	-25.0%
Other Comprehensive Income (net of Tax)	-11	-12	-17	10.7%	36.0%
Total Comprehensive Income (Consolidated²)	-12,856	-11,077	-3,856	-16.1%	-233.4%

Quarter impacted by IUC reduction, sustained rate pressure and industry consolidation

Effective 1st October 2017, TRAI amended the domestic Interconnection Usage Charge (IUC) settlement regulation reducing the 'Mobile Termination Charge' (MTC) from 14 paisa to 6 paisa per minute aggravating the financial stress of the industry. Therefore, this quarter results are not comparable to the earlier periods. The regulation imposed 57% sharp decline in IUC settlement rates negatively impacted Idea's Revenue and EBITDA for this quarter by ~Rs. 8,200 million and ~Rs. 2,300 million respectively. The new domestic MTC rate and recently announced drop in 'International mobile termination' settlement charges effective 1st February, 2018 from 53 paisa to 30 paisa per minute, remains a body blow to all operators and reduces investable funds for the critical 'Digital India' program. The international IUC rate drop only benefits the foreign operators, with no commensurate benefit to Indian consumers but with significant foreign exchange and revenue loss to the Indian exchequer.



While the regulatory headwinds continue to blow, the exit of sub-scale mobile operators is driving the industry to consolidation by calendar year 2018. Idea during the quarter, on the back of (a) Success in MNP from exiting operators, (b) Launch of mass market unlimited voice bundled data plans and (c) Sustained broadband investment, witnessed strong return of subscriber addition with 7.5 million 'Net customer adds' on VLR during Q3FY18. Resultantly, Idea improved its 'Subscriber Market Share' (VLR) to 19.8% in November 2017 vs 19.4% in August 2017. The company's overall subscriber base (VLR) crossed the 200 million milestone and stands at 203 million as on 31st December 2017.

In comparison, the dual negative factors of (a) Steep reduction in MTC settlement rate and (b) Unrelenting rate pressure on voice and mobile data services as high ARPU consumers migrate to 'unlimited voice bundled data plans' has resulted in 12.8% decline in Idea's gross revenue in Q3FY18 to Rs. 65,097 million (vs Q2FY18 revenue of Rs. 74,654 million). The new competitive dynamics unfolding should have positive effect including (a) Existing multi SIM users consolidating their usage to single operator; (b) Casual mobile customers starting to adopt these attractive high value bundled plans; (c) More pure voice subscribers upgrade to 4G smartphone/ 4G broadband services and (d) Nearly 300-400 million Indians who currently do not use mobile services are at an inflection point to enter the wireless in 2G category. The mobility services role in lives of Indians cannot be emphasized enough and present tremendous long-term opportunities ahead.

Structural changes in consumption of mobile telephony services

Mobile voice segment – As industry operating tariffs tumble, voice and data volume growth partially compensated for the steep rate fall. The adoption of unlimited voice bundled data plans has led to explosion in voice volumes with sequential quarterly voice minutes growth @10.8% in Q3FY18 (vs +1.7% in Q2FY18), highest in the last 30 quarters, which helped quarterly mobile voice volume reach 282.6 billion minutes. The 'voice realization rate' (including the impact of reduction in IUC rate) sharply declined by 23.6% to 16.8 paisa per minute (vs 22.0 paisa in Q2FY18). Consequently, the 'usage per subscriber' has risen sharply to 509 minutes in Q3FY18.

Mobile data segment – During the past few months, the seeds of digital revolution that will permanently transform India into a digital society, has been sown. Today, we are witnessing a meteoric growth in 'data usage per data subscriber' which has zoomed from 703 MB/month (Q3FY17) to monthly usage of 4,742 MB during this quarter. Further, the introduction of competitive bundled data price plans has led to Idea's highest ever wireless broadband subscriber addition of 5.2 million in Q3FY18, helping increase the company's wireless broadband subscriber (EoP) base to 34.8 million out of total 42.6 million mobile data users. Also, the mobile data volume (2G+3G+4G) continued to witness robust sequential growth of 30.2% (on back of sequential quarterly growth of 73.5% in Q2FY18 and 99.1% growth in Q1FY18) as Idea's pan India data network carried 571 billion MB of data volume this quarter.

The unlimited voice bundled data plans are turning to be a bonanza for Indian consumers, as 'mobile data realization rate' fell to world's lowest tariffs @2.0 paisa per MB, a sharp decline of 27% vs 2.7 paisa per MB in Q2FY18. During the last one year, Idea's wireless broadband data aggregate volume has multiplied by ~6.5 times to 549 billion MB in Q3FY18 against 84 billion MB a year ago.



Accelerated broadband Investments to support exploding data demand

Over the period of last two years, Idea has aggressively expanded its wireless broadband infrastructure and added 96,020 broadband (3G+4G) sites. Idea has multiplied its broadband sites by ~3 times in last two years and the overall broadband sites now stands at 143,565. Idea's wireless broadband network (3G+4G) population under coverage now exceeds 634 million Indians (52.4% of Indian population) across 22 service areas spread over 154,000 towns and villages. This quarter also the company rolled out nearly 10,000 broadband sites.

Idea and Vodafone India, in addition to Active Infrastructure sharing arrangements, have also expanded their ICR with higher coverage under 2G ICR arrangements and introduced 4G ICR arrangements, during the quarter to avoid duplication of spends and make best use of capex. This has resulted in expanded coverage across over 12,500 new towns and neighbouring villages, where one of the operators was not previously present.

As 4G consumer adoption rate continues to rise supported by affordable smartphones and world's lowest 'voice and wireless broadband tariffs', almost all of Idea's incremental network capital investments is allocated towards 4G expansion (including fibre and capacity). Idea remains on course to introduce its own VoLTE – 'Voice over LTE' from March 2018 onwards in main markets. The capex spend for the current quarter was Rs. 17.5 billion.

Q3FY18 financial performance impacted by IUC reduction

Consequent to gross revenue decline primarily on account of MTC rate revision, the EBITDA for the quarter declined by 18.5% to Rs. 12,233 million compared to Rs. 15,016 million in Q2FY18. In the meanwhile, company remains focused to optimize its operating costs in the new sector paradigm. Adjusting for IUC impact, absolute EBITDA declined by 3.2% QoQ. The EBITDA margin for the quarter declined to 18.8% (normalised margin of 19.8%) from 20.1% in Q2FY18.

The 'Depreciation & Amortisation' charge and 'Interest & Financing Cost (Net)' stood at Rs. 21,414 million and Rs. 11,490 million respectively resulting in the standalone PAT loss of Rs. 13,519 million in Q3FY18 (vs PAT loss of Rs. 11,760 million in Q2FY18). The consolidated Total Comprehensive Income (including proportionate share from Indus & ABIPBL) stands at a loss of Rs. 12,856 million in Q3FY18 (vs loss of Rs. 11,077 million in Q2FY18).

The 'Net Debt' as on December 31, 2017 stands at Rs. 557,818 million, including a large component of debt from DoT under 'Deferred Payment Obligation' for Spectrum acquired in Auctions.

Merger Update

On 20th 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 parties have a complementary footprint and the merged entity would have one of the highest overall spectrum holding of 1,850 MHz across multiple spectrum bands. The merger transaction is subject to approval from the relevant regulatory authorities. The companies have already received approval for the proposed combination from (a) 'Competition Commission of India' (CCI), (b) SEBI & Stock Exchanges and (c) recently from National Company Law Tribunal (NCLT), Bench of Ahmedabad and Mumbai. The merger of Idea and Vodafone India is in the final leg of regulatory approvals and is expected to complete in H1CY18.



Both the companies, within the framework of law, have set up respective project management teams, preparing for the merger and initiated detailed planning for identified capex and opex synergies.

Separately, on 13th November 2017, Idea and Vodafone, announced the sales of their respective standalone tower businesses in India to ATC Telecom Infrastructure Private Limited (“American Tower”) for a combined enterprise value of Rs. 78.5 billion to strengthen the balance sheet of the merged entity. 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 the payment of exit penalty.

Idea in the process of raising up to Rs. 67.5 billion equity to strengthen combined entity’s balance sheet

On January 4th 2018, the board of directors approved issuance of ~326.6 million equity shares at a price of Rs. 99.50 per share on preferential basis to the promoter group entities for a total consideration of Rs. 32.5 billion. Idea’s board has also constituted a committee of board members to evaluate potential routes for raising additional equity capital of up to Rs. 35 billion including, among others, through further Preferential Issue, Qualified Institutional Placement (QIP), or Rights Issue, etc. The proposed capital raising of up to Rs. 67.5 billion will reduce Idea’s net-debt and as a result Vodafone net-debt contribution to the merged entity will also be reduced by a commensurate amount. This along with the recent sale of standalone tower businesses of Idea and Vodafone India for Rs. 78.5 billion and potential monetization of Idea’s 11.15% stake in Indus towers, will augment the long term capital resources of the combined entity.

In the meantime, Idea remains nimble, agile, adaptive, and focused on its execution capabilities. The company continues to strive for expanding coverage and 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 largest mobile service providers for both voice and broadband services across 2G, 3G and 4G platforms.

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 16.2% (Q2FY18). 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.