

Media Release – February 06, 2019

Highlights for the Quarter

- Total revenue of Rs. 117.6 billion, -2.2% QoQ, a lower rate of decline compared to Q2 (-7.1% QoQ), due to **good progress on our strategic actions to increase revenue.**
 - The introduction of ‘service validity vouchers’ and other commercial initiatives resulted in a turnaround in revenue trends during the quarter, reflected in **a month on month increase in daily revenues in December 2018. This trend continued in January 2019.**
 - As expected, these actions led to higher churn of ‘incoming only’ or ‘minimal ARPU’ customers and reduced the total subscriber base to 387.2 million (vs. 422.3 million in Q2FY19).
 - EBITDA¹ of Rs. 11.4 billion, increased by 16.3% QoQ, driven by the reduction in operating expenses². **Q3 operating expenses** (excluding licence fee & spectrum usage charges and roaming & access charges) **were reduced by ~Rs. 7.5 billion (annualized ~Rs. 30 bn)** compared to pro-forma operating expenses in Q1 (i.e. the period prior to the merger).
 - **4G subscriber base of 75.3 million**, up 9.5 million during the quarter, supported by higher 4G coverage.
 - Customers now benefit from **a unified network experience in the eight service areas** of West Bengal, Andhra Pradesh (excluding Hyderabad), Haryana, Madhya Pradesh, Himachal Pradesh, Assam, North East and J&K.
 - The Board has approved a rights issue of up to Rs. 250 billion, **with promoter shareholders reiterating their support.**
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Balesh Sharma, CEO Vodafone Idea limited, said *“We are progressing well on our stated strategy. The initiatives taken during the quarter started showing encouraging trends by the end of the quarter. We are moving faster than expected on integration, specifically on the network front, and we are well on track to deliver our synergy targets. We remain focused on fortifying our position in key districts by expanding the coverage and capacity of our 4G network, and target a higher share of new 4G customers, while offering an enhanced network experience to our customers. The proceeds from the announced capital raise will put us in a strong position to achieve our strategic goals.”*

¹ EBITDA is a non-Ind AS financial measure. It is calculated as revenue from operations less operating expenses.

² Operating expenses are calculated as total expenses less finance cost and depreciation & amortization.

Vodafone Idea Ltd. (formerly Idea Cellular Ltd.) today announced unaudited results for the Third Quarter (Q3) ended December 31, 2018.

Financial highlights

The Q3FY19 results are the first full quarter results for Vodafone Idea, post completion of the merger of Vodafone India and Idea Cellular on August 31, 2018.

Our headline tariffs remained stable during the quarter. However customers continue to migrate to lower ARPU plans. Within this context, the company has implemented various initiatives to improve its revenue, profitability and competitive standing in line with its stated strategy, which began to impact performance positively towards the end of the quarter. As a result, the pace of QoQ revenue decline slowed to 2.2% in the quarter, compared to a 7.1% reduction in Q2, and we experienced growth in daily revenue on a month-on-month basis during December 2018, which continued into January 2019.

Overall operating expenses for the quarter were lower sequentially due to the realisation of merger synergies. Q3 operating expenses² were Rs. 81.5 billion (excluding licence fees & spectrum usage charges and roaming & access charges), lower by ~Rs. 7.5 billion (annualised ~Rs. 30 bn) compared to Q1 operating expenses². As a result, despite the reduction in revenue, EBITDA¹ increased to Rs. 11.4 billion, a 16.3% improvement QoQ.

In the quarter, Depreciation & Amortisation charges were Rs. 47.7 billion and Interest & Finance charges were Rs. 26.1 billion. Capex for the quarter was Rs. 11.7 billion. The level of capital expenditure is expected to be higher in Q4 as contracts with suppliers were finalised during Q3.

Gross debt as at December 31, 2018 was Rs. 1,236.6 billion, including deferred spectrum payment obligations due to the Government of Rs. 914.8 billion. Cash & cash equivalents were Rs. 89 billion, resulting in net debt of Rs. 1,147.6 billion (vs Rs. 1,125.1 billion in Q2FY19).

Integration update

The merger of Vodafone India with Idea Cellular completed on August 31, 2018. The company, in line with its stated strategy, has accelerated the integration of the two businesses. We have given a guidance of Rs. 84 billion of run-rate costs synergies to be achieved during FY21, two years ahead of the initial target set at the time of the original merger announcement in March 2017.

The pricing plans on both brands (Vodafone and Idea) for pre-paid and post-paid offerings have been harmonised. Integration of the distribution channels, retail footprint and our customer service operations are expected to be completed shortly.

With the implementation of national roaming on both networks, each brand now offers 4G across all 22 service areas. To ensure the best customer experience, subscribers connect to the stronger of the two networks while roaming outside their home circle. In addition, during the quarter, radio access network vendor selection and equipment orders for the company was completed for all circles.

Network integration is moving at pace. In the eight service areas of West Bengal (December 2018), AP (except Hyderabad), Haryana, Madhya Pradesh, Himachal Pradesh, Assam, North East and J&K (January 2019), customers of both brands enjoy a unified network experience (following the consolidation of spectrum and the radio access network). In addition, we are offering unified 4G experience in Bangalore (January 2019). In other circles, network integration is taking place on a cluster-by-cluster basis and the subscribers of both brands are gradually moving to a much larger and better network. Furthermore, the process of spectrum consolidation in these areas has resulted in enhanced network capacity and improved customer experience.

We have also enhanced the capabilities of some of our 900 MHz sites through dynamic spectrum re-farming and re-farmed 2100 MHz spectrum from 3G to 4G usage on selected sites. During the quarter we exited ~5,400 low utilisation sites and optimised the loading equipment on over ~21,000 co-located sites.

Operational highlights

The introduction of 'service validity vouchers' on a national basis during the quarter, which require customers to make a minimum recharge of Rs. 35 (28 days validity), contributed to a reduction of 35.1 million customers in the quarter, as expected. 'Incoming-only' customers or 'minimal ARPU' customers consolidated their spending from multiple to single SIMs. ARPU for the quarter, grew 1.5% QoQ to Rs. 89, compared to a 4.7% decline in Q2. We expect to see further positive impact on revenue and ARPU from these actions.

We added 11,123 4G sites during the quarter, including the addition of 9,066 sites on TDD. Our 4G population coverage has improved rapidly to over 64% as at December 31, 2018 (compared to less than 50% for each of the brand in August 2018). During the quarter we added 9.5 million 4G customers (Q2: +8.4 million), taking the overall 4G subscriber base to 75.3 million. Data volume of 2,705 billion MB for the quarter grew by 11.5% compared to the last quarter and average monthly data usage per data subscriber improved to 6.2 GB (vs 5.6 GB in Q2). Total minutes on the network declined by 2.6% during the quarter, largely attributable to the introduction of service validity vouchers.

On the content side, we have recently partnered with Sun TV to offer best of south content from Sun Nxt in all four major South Indian Languages –Tamil, Telugu, Malayalam & Kannada.

Fund raising / Asset monetisation

The Board of Directors in its meeting held on January 23, 2019 has considered and approved the offer and issue of fully paid-up and/or partly-paid up equity shares of the Company and/or other securities convertible into equity shares of the Company, including but not limited to, compulsorily convertible debentures, for an amount aggregating up to Rs. 250 billion, by way of a rights issue to existing eligible equity shareholders of the Company as at the record date. The Promoter shareholders (Vodafone Group and Aditya Birla Group), have re-iterated to the Board that they intend to contribute up to Rs. 110 billion and up to Rs. 72.5 billion respectively as part of the rights issue. Furthermore, the Promoter shareholders have indicated that in case the Rights Issue is undersubscribed, each of the Promoter shareholders reserves the right to subscribe to part or whole amount of the unsubscribed portion, subject to applicable law.

The merger of Bharti Infratel and Indus Towers has received approval from the Competition Commission India, the Securities and Exchange Board of India and on February 02, 2019 the transaction also received approval from shareholders and creditors. The Company has an option to sell its 11.15% stake in Indus, which currently has an implied value of ~Rs. 49.6 billion (based on the VWAP for Bharti Infratel's shares during the last 60 trading days as at December 31, 2018), for cash at completion.

The company continues to pursue its plans to monetize 158,000 Kilometers of intra-city and inter-city fibre.

Financial Highlights – As Reported

<i>Consolidated (Rs Mn)</i>	Q2FY19	Q3FY19
Revenue	76,636	117,648
EBITDA	4,614	11,368
<i>EBITDA%</i>	6.0%	9.7%
Depreciation & Amortisation	30,059	47,734
EBIT	(25,445)	(36,366)
Interest and Financing Cost (Net)	19,511	26,068
Gain on Sale of ICISL/ Exceptional Item	(5,658)	(8,008)
Share of Profit/(Loss) from Indus & ABIPBL	422	398
PBT	(50,192)	(70,043)
PAT	(49,738)	(50,046)
Other Comprehensive Income (net of Tax)	233	(11)
Total Comprehensive Income (Consolidated)	(49,505)	(50,057)

Quarterly Highlights

	Unit	Q2FY19 ¹	Q3FY19	QoQ ¹
Revenue	Rs mn	120,238	117,648	-2.2%
EBITDA	Rs mn	9,778	11,368	16.3%
EBITDA %	%	8.1%	9.7%	1.5%
Capex	Rs mn	32,956	11,690	-21,266
ARPU	Rs	88	89	1.5%
Minutes on Network	mn	731,195	712,283	-2.6%
Data Volume	mn MB	2,426,213	2,705,157	11.5%

Notes:

- Quarter on quarter comparison is with the pro-forma figures of Q2FY19, which are derived without considering the alignment of accounting policies.
- Figures for past periods have been regrouped, wherever necessary.

About Vodafone Idea Ltd. (formerly Idea Cellular Ltd)

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. It is India's leading telecom service provider. The Company provides pan India Voice and Data services across 2G, 3G and 4G platform. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The Company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The Company is listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India.

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