

## Revenues stabilising, integration moving at pace with ~60% of targeted synergies realised as of Q4FY19

### Highlights for the Quarter

- **Sequential stabilization of revenues in Q4** benefitting from the introduction of 'service validity vouchers'. Revenues grew by +0.1% QoQ in Q4 (Q3: -2.2%, Q2: -7.1%). Q4 average daily revenue grew by 2.3% QoQ, following 11 consecutive quarters of decline.
  - **Synergy realization well on track with ~60% of the synergy target achieved to date.** Normalised Q4 operating expenses excluding licence fee & spectrum usage charges and roaming & access charges were ~Rs. 12.8 billion (~Rs. 51 billion annualized) lower than our proforma operating expenses in Q1, i.e. the last quarter prior to completion of the merger.
  - EBITDA increased by 57% QoQ to Rs. 17.9 billion. EBITDA normalised for one-offs stands at Rs. 15.9 billion.
  - Network integration is moving at a fast pace, customers now benefit from **a unified network experience in the ten service areas** of West Bengal, Andhra Pradesh, Haryana, Madhya Pradesh, Himachal Pradesh, Assam, North East, J&K, Bihar and Punjab.
  - Successfully closed India's largest rights issue, raising Rs. 250 billion of equity. The strong participation from public shareholders (ex-promoters) resulted in 1.2x subscription for the public component of the issue, demonstrating **investors' strong support for our strategy.**
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**Balesh Sharma, CEO Vodafone Idea limited,** said *"We are pleased with the rapid progress we have made to deliver on our stated strategy. The initiatives we have taken since the merger are yielding positive results and we are well on track to deliver our synergy targets two years early. We remain focused on fortifying our position in key profitable districts by expanding coverage and capacity of our 4G network, targeting higher share of new 4G customers by offering an enhanced network experience, whilst also improving cash flows through cost transformation. The oversubscription of our recent rights issue, the largest in India, is a clear testament to investors' support for our strategy."*

## **Financial highlights**

The strategic initiatives taken post-merger to improve revenues and ARPU, have started to become visible in our financial results. The average daily revenue (ADR) for the quarter grew 2.3% QoQ after witnessing successive declines for the 11 prior quarters, benefitting from the introduction of 'service validity vouchers'. Revenue for the quarter was Rs. 117.8 billion, up 0.1% QoQ, lower than the ADR growth due to fewer days in Q4FY19.

Total operating expenses for the quarter declined sequentially due to the realisation of merger synergies. Q4 underlying operating expenses of Rs. 74.8 billion (excluding licence fees & spectrum usage charges and roaming & access charges) declined by Rs. 12.8 billion compared to Q1 after adjusting for certain one-offs of ~Rs. 2bn, inflation driven cost increases and incremental network rollout. This is equivalent to an annualised synergy realisation of ~Rs. 51 billion, ~60% of the Rs. 84 billion synergy target. As a result of the synergy realisation EBITDA increased to Rs. 17.9 billion, a 57% QoQ improvement. EBITDA normalized for one-offs stands at Rs. 15.9 billion, a 39.4% QoQ improvement.

Depreciation & Amortisation charges were Rs. 46.6 billion and Interest & Finance charges were Rs. 27.9 billion for the quarter. Capex has now been ramped up to Rs. 32.3 billion for the quarter. The pro-forma capex spend for FY19 was Rs. 102.2 billion.

Gross debt as at March 31, 2019 was Rs. 1,259.4 billion, including deferred spectrum payment obligations due to the Government of Rs. 906.8 billion. Cash & cash equivalents were Rs. 75.5 billion resulting in net debt of Rs. 1,183.9 billion (vs Rs. 1,149 billion in Q3FY19).

## **Integration update**

Following the merger of Vodafone India and Idea Cellular on August 31, 2018, we have accelerated the integration of the two businesses and are on track to deliver Rs. 84 billion of targeted run-rate costs synergies by FY21, two years ahead of the initial target set at the time of the merger announcement in March 2017.

Network integration continues to move at a fast pace. Customers of both brands now enjoy a unified network experience across the ten service areas of West Bengal (December 2018), Andhra Pradesh, Haryana, Madhya Pradesh, Himachal Pradesh, Assam, North East, J&K (January 2019), Bihar (February 2019) and Punjab (March 2019), along with part of the Delhi circle (East NCR), following the consolidation of spectrum and the radio access network. Post integration, the capacity in these circles has increased by ~34% QoQ, leading to improved Net Promoter Score and higher download speeds.

In addition, we are offering a unified 4G experience in Bangalore (January 2019) and Orissa (March 2019). In other circles, network integration is progressing on a cluster-by-cluster basis and subscribers of both the brands are gradually moving to a network with greater coverage and capacity. Further, we have enhanced capabilities of some of our 900 MHz sites to provide 4G service through dynamic spectrum refarming in the service areas of Kerala and Delhi.

As a result of our focus on accelerating network integration, we have removed surplus equipment on 24,000 sites out of the total 67,000 co-located sites. Additionally, we have also exited ~9,900 low utilization sites. Both initiatives have yielded significant cost savings for the company.

On the operational side, we have already completed the integration of distributors, retailers, service stores and service centres. We also signed a multi-year agreement with IBM for deployment of future-fit technologies including Cloud, Advanced Analytics and Business Intelligence to enhance the company's digital transformation and deliver further cost savings.

### **Operational highlights**

We introduced 'service validity vouchers' on a national basis during Q3, which required customers to make a minimum recharge of Rs. 35 (28 days validity). As expected, this resulted in a decline of 53.2 million subscribers as 'Incoming-only' or 'Low ARPU' customers migrated their spending from multiple SIMs to single SIM, taking the overall subscriber base to 334.1 million. The service validity vouchers resulted in QoQ increase in ADR, despite the decline in subscriber numbers. Consequently, ARPU for the quarter grew by 16.3% QoQ to Rs. 104 (vs Rs. 89 in Q3).

We added 8,915 4G TDD sites during the quarter to augment capacity, and deployed massive MIMO on around 2,000 sites in select key locations. However, unique broadband locations and broadband sites declined this quarter as the process of redeployment is currently underway. Once the redeployment exercise is completed the overall broadband site count, and subsequently, the population coverage would improve significantly. Our 4G population coverage reached 65% as of March 31, 2019, compared to less than 50% for each of the brands in August 2018.

During the quarter, we added 5.4 million 4G customers, taking the overall 4G subscriber base to 80.7 million. The broadband subscriber base for the quarter was 110.2 million. Total data volumes grew by 9% to 2,947 billion MB compared to the last quarter and the average daily data volume increased by 11.4% (32.7 billion MB in Q4 vs 29.4 billion MB in Q3). Total minutes on the network declined by 1.3% during the quarter, due to reduction in incoming minutes following the disconnection of 'Incoming only' or 'Low ARPU' customers.

### Fund raising / Asset monetisation

The company successfully completed India's largest rights issue raising Rs. 250 billion. The strong participation from public shareholders (ex-promoters) resulted in 1.2x subscription for the public component of the issue.

The merger of Bharti Infratel and Indus Towers has received approval from the Competition Commission India, the Securities and Exchange Board of India, shareholders and creditors. An application for sanction of the scheme has been filed with the NCLT and the matter is listed for final hearing. Vodafone Idea has an option to sell its 11.15% stake in Indus, which has an implied value of ~Rs. 61.6 billion (based on the VWAP for Bharti Infratel's shares during the last 60 trading days as at March 31, 2019), for cash at completion.

The company is also exploring options to monetize over 158,000 Kilometers of intra-city and inter-city fibre.

### Financial Highlights

<i>Consolidated (Rs Mn)</i>	<b>Q3FY19</b>	<b>Q4FY19</b>
Revenue	117,648	117,750
EBITDA	11,368	17,853
<i>EBITDA%</i>	9.7%	15.2%
Depreciation & Amortisation	47,734	46,639
EBIT	(36,366)	(28,786)
Interest and Financing Cost (Net)	26,068	27,894
Exceptional Items		
- Impairment (non-cash)	(350)	(5,061)
- Others	(7,658)	(6,397)
Share of Profit/(Loss) from Indus & ABIPBL	398	549
PBT	(70,043)	(67,589)
<b>PAT</b>	<b>(50,046)</b>	<b>(48,819)</b>
Other Comprehensive Income (net of Tax)	(11)	36
<b>Total Comprehensive Income (Consolidated)</b>	<b>(50,057)</b>	<b>(48,783)</b>

### **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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