



Media Release

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Idea Cellular announces un-audited Ind AS results for the Second Quarter (Q2) and Half year ended September 30, 2016

Highlights Standalone¹ Results -

- Revenue - Rs.93,002 million, EBITDA - Rs.28,401 million, PAT - Rs.43 million

	INR mn				
	Q2FY17	Q1FY17	H1FY17	H1FY16	YoY Change (H1)
Revenue - Established Service Areas ³	86,112	88,051	1,74,164	1,63,462	6.5%
Revenue - New Service Areas ⁴	6,890	6,815	13,705	11,207	22.3%
Total Revenue	93,002	94,866	1,87,869	1,74,669	7.6%
EBITDA - Established Service Areas ³	29,825	31,882	61,708	61,086	1.0%
EBITDA - New Service Areas ⁴	-1,424	-1,140	-2,564	-3,389	-24.3%
Total EBITDA	28,401	30,742	59,143	57,698	2.5%
EBITDA% - Established Service Areas ³	34.6%	36.2%	35.4%	37.4%	-1.9%
EBITDA% - New Service Areas ⁴	-20.7%	-16.7%	-18.7%	-30.2%	11.5%
EBITDA%	30.5%	32.4%	31.5%	33.0%	-1.6%
Depreciation & Amortisation	19,543	19,192	38,735	28,474	36.0%
EBIT	8,858	11,551	20,409	29,224	-30.2%
Interest and Financing Cost (Net)	8,753	9,224	17,977	5,919	203.7%
Dividend from Indus	-	3,623	3,623	-	
PBT	105	5,950	6,054	23,305	-74.0%
PAT (Standalone¹)	43	4,971	5,014	14,537	-65.5%
Cash Profit⁵ (Standalone)	19,407	25,209	44,616	50,476	-11.6%
Share of Profit from Indus & ABIPBL	1,057	1,035	2,092	1,968	6.3%
Deferred Tax on Undistributed earnings of Indus	-186	-179	-365	-334	9.1%
Other Comprehensive Income (net of Tax)	-14	-33	-48	-76	-37.4%
Total Comprehensive Income (Consolidated²)	900	2,171	3,071	16,095	-80.9%

The financial results for this Quarter (Q2FY17), H1FY17 and H1FY16 (restated) are based on Ind AS. The H1FY17 financial performance is not comparable with H1FY16, as the first half of Financial year 2016-17 results include a) Full impact of spectrum acquired by Idea in March 2015 (investment of Rs. 301.4 billion) and Feb 2014 (investment of Rs. 104.2 billion) auctions for renewal of spectrum in 9 service areas expired between December 2015 to April 2016 and new spectrum acquired for 3G and 4G services in multiple circles and b) Additional deferment in H1FY17 consequent to the change in terms regarding carry forward conditions of unused data entitlement in data packs.

Idea, is in the process of building world class mobile broadband services. The company is participating aggressively in the Digital India Mission – one of the country’s largest infrastructure build-out programs. Idea is gearing to provide ‘Wireless Broadband Access for a Billion Indians’ in the shortest possible time span of 3-4 years (CY 2018 - 2019). The company has primarily completed its spectrum acquisition, procuring 823.4 MHz spectrum (overall spectrum holding of **890.6 MHz**) across 900, 1800, 2100, 2300 and 2500 MHz frequency bands in auctions during years 2010 to 2016, for a commitment of **Rs. 617 billion** (including Rs. 128 billion in October 2016 Auction) and intend to offer **Pan India Wireless Broadband**



services (3G and/or 4G) from current 17 service areas latest by March 2017. 4G services will be expanded to 20 service areas from present 11 (**9 new 4G service areas** of Gujarat, Uttar Pradesh (West), Uttar Pradesh (East), Bihar & Jharkhand, Rajasthan, Mumbai, West Bengal, Assam and Jammu & Kashmir) and 3G services to 15 service areas from present 13 (2 new service areas of Bihar and Rajasthan).

In last 24 months, Idea has expanded its network sites by 63%, adding 83,276 network sites (2G+3G+4G), including nearly 3.5x increase in its Wireless Broadband sites (3G+4G) from 25,164 (Q2FY15) to 85,412 (Q2FY17), expanding wireless broadband population coverage to over 430 million Indians in 17 service areas. The company in the same period increased its OFC network by nearly 45% from 87,600 kms (Q2FY15) to 126,000 kms in Q2FY17. With the new Spectrum acquisition, the Gross Investment in Fixed Assets by Company has risen to nearly Rs. 1,015 billion (excluding October 2016 spectrum auction), an addition of over Rs. 450 billion in last 24 months. Monetisation of this front loaded large investment is inevitable in future. The Company spectrum portfolio post Oct'16 auction provides Idea the ability to roll out networks which can carry 15-20 times of current data traffic.

Comments Mr. Kumar Mangalam Birla, Chairman, Idea Cellular – *“ABG is a strong believer in India’s growth story and Idea is committed to participate in PM Shri Narendra Modi’s ‘Digital India’ mission. Idea generated a strong Cash Profit of Rs. 44,616 million in H1FY17. It is gearing itself for the arrival of a tsunami of Mobile Broadband users as Idea expands its wireless broadband coverage to a billion Indians and supplements the company’s broadband capacity @ 15-20 times current data traffic on existing and new spectrum.”*

Moving on to the Financial results

With increasing proportion of rural subscribers, the seasonal slowdown in the second quarter has followed past trends, resulting in voice minute contraction on sequential quarterly basis by 1.9% to 195.5 billion compared to 199.3 billion in Q1FY17. Consequently, Idea standalone revenue of Rs. 93,002 million is lower by 2% on sequential quarterly basis partially led by voice minutes decline and rest due to rate fall in mobile voice & data segment.

Due to competitive pressure on Voice business, Idea’s sequential Voice Revenue declined by 5.3% due to a) Voice realisation rate decline @ 3.4%, from 34.3p in Q1FY17 to 33.1p per minute in Q2FY17 b) fall in sequential Voice minutes. On Positive side there was an addition of 3.2 million new subscribers (VLR add Q2FY17) helping Idea customer base reach 186.4 million. The hyper competition in the industry is resulting in slow revenue growth trends, with Idea’s overall quarterly revenue growth on YoY basis at its lowest @7.2%.

Competitively, Idea continued to consolidate its Revenue Market Share (RMS), expanding it to 19.3% (Q1FY17), an increase of 0.6% compared to Q1FY16 and its Subscriber Market Share (on VLR) has improved to 20.1% (July 2016), an improvement of 1.3% over last 1 year.

As regards Mobile Data business, which presently is in high investment & low capacity utilization phase, Idea pursued a volume growth strategy resulting in, on a sequential quarterly basis a) 5 million mobile data user addition helping the data subscriber EoP to reach 54 million (30% of Idea’s EoP subscriber base) b) strong quarterly mobile data volume growth @15.4% to 107.4 bn MB in Q2FY17 (vs 93.1 bn MB in Q1FY17) but c) overall Data Realisation Rate (ARMB) fell by 11.2% from 21.1p in Q1FY17 to 18.7p per MB, limiting the sequential mobile data revenue growth to 2.5% only.



The blended mobile data ARPU (2G+3G+4G) stands at Rs. 130 (vs. Rs 144 in Q2FY16) but data usage per subscriber is increasing, to 694 MB in Q2FY17 (vs. 615 MB in Q2FY16). The mobile data revenue contribution is now 21.9% of 'Service Revenue' while overall 'Non Voice Revenue' (including data) contribution has increased to 29.6% (vs. 27.9% in Q2FY16).

Idea mobile broadband service (3G+4G) adoption is steadily improving as a) highest ever 9 million Idea customers upgraded their existing 2G phones to 3G &/or 4G smartphones (5.1 million 4G upgrade), taking the overall smartphone count to 70.4 million (nearly 40% of Idea's EoP subscribers) b) In Q2FY17, 3.7 million smartphone owners started to use mobile broadband services and overall base increased to 30.7 million broadband users c) mobile broadband data volume (3G+4G) has grown exponentially @ 85.5% from 43.1 bn MB in Q2FY16 to 79.9 bn MB in Q2FY17 and d) 3.1 million customers are actively using Idea 4G services, out of 19.3 million 4G device owners in Idea's overall subscriber base.

The company continued its aggressive mobile broadband network expansion program. Idea added 5,006 4G sites during the quarter, reaching to 24,945 4G sites, now covering 171 million Indians across nearly 2,400 towns and 7,500 villages in 10 service areas. Additionally, company expanded its 3G network by 9,236 sites reaching to 60,467 3G sites, now covering 377 million Indians across 4,100 towns and 73,000 villages in 13 service areas. These number are a clear testimony of Idea's ability to build and operate for high growth mobile broadband market.

In the recently concluded October 2016 Spectrum auction, Idea acquired 349.2 MHz of spectrum, including 149.2 MHz (2x74.6 MHz FDD) spectrum in frequency bands of 1800 MHz and 2100 MHz, expanding Idea mobile broadband coverage to Pan India and additional 200 MHz (TDD) spectrum in frequency bands of 2300 MHz and 2500 MHz to address the future requirement of capacity. Idea in this auction has expanded its spectrum portfolio by over 64%. Idea is now well equipped to offer 4G services on its own spectrum across 20 service areas, covering 94% of its revenue. More importantly, Idea now own two carriers of prime 1800 MHz frequency band in 7 out of 8 leadership circles (ex. Andhra Pradesh) & additional 1 - 3 carriers of capacity spectrum, signifying strong hedge of Idea's key Revenue and Profit generating markets.

On 3G spectrum, Idea was prudent & acquired 2100 MHz spectrum for 3G only in high population service areas of Bihar and Rajasthan, expanding Idea's capability to offer 3G services on its own spectrum to 15 circles. On overall basis, Idea now owns 64 broadband carriers (47 - 4G and 17 - 3G) and is strongly positioned to participate in the high potential growing mobile data segment. The total commitment for October 2016 Spectrum auction is Rs. 128 billion at less than 1% premium over DoT's reserve price. Idea has opted for Deferred Payment Option and on 20th October 2016 completed the upfront payment of Rs. 64 billion.

The DoT needs to be commended for addressing the spectrum needs of the operators by first ensuring that maximum spectrum was made available for telecom services, then putting all spectrum available with DoT for auction and harmonizing all liberalized non-contiguous spectrum blocks into contiguous blocks before the auction. Most importantly the speed at which the spectrum harmonization has been done post the recent auction is exceptional. These actions will go a long way in efficient utilization of spectrum in the country.

In Q2FY17, Idea Capex spend was Rs. 20 billion, largely funded from **Cash Profit of Rs. 19.4 billion**. The Company is gearing to expand its wireless broadband coverage using the spectrum won in recently concluded spectrum auction & plans to spend incremental equipment capex of Rs. 10 billion in FY17. With this, the capex guidance is revised from an earlier level of Rs. 65-70 billion to Rs. 75-80 billion. Idea's network now spreads to over 2,16,000 sites (1,30,633 - 2G sites, 60,467 - 3G sites, 24,945 - 4G sites) and 126,000 Kms of fibre, covering nearly 1 billion Indians for GSM services in nearly 400,000



towns and villages and mobile broadband services reaching to 430 million Indians, across 17 service areas over 80,000 towns & villages.

The Higher Network running expenses due to accelerated expansion, increased subscriber acquisition & servicing cost, and multiple inflationary pressures resulted in overall operating cost increase, thereby Q2FY17 EBITDA grew only @1.8% (YoY) and stands at Rs. 28,401 million with EBITDA margin of 30.5% against Q2FY16 EBITDA margin of 32.2%.

The 'Depreciation and Amortization' charges of Rs. 19,543 million and 'Interest and Finance cost (net)' of Rs. 8,753 million for Q2FY17 reflects additional charge against Q2FY16 on account of a) renewal of 9 expired licenses & linked spectrum and acquisition of new spectrum for 3G and 4G b) Launch of 4G services in 10 service areas c) Introduction of 3G 2nd carrier on 900 MHz in Maharashtra & MP d) Launch of 3G services in Kolkata metro during Q3FY16. Therefore, inspite EBITDA growth, Idea standalone 'Profit after tax' (PAT) for Q2FY17 stands at Rs. 43 million against Rs. 6,759 million in Q2FY16.

The net debt as on 30th September, 2016 stands at Rs 364 billion, including all Deferred Payment obligation for Spectrum (excl. October 2016 auction commitment). The 'Net Debt' to 'Annualized Q2FY17 EBITDA' stands at 3.20. 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 16% share from Indus & 49% from ABIPBL) stands at Rs. 900 million against Rs. 7,579 million in Q2FY16.

The preparatory work on Idea branded Digital Content Services is in full swing. Idea expects to launch its Idea branded Games services in Q3FY17 and 'Idea Movies & Music Services' & Messenger App in subsequent quarters.

Idea with last 8 years of strong track record of execution will always remain nimble and adaptive to emerging market conditions. The brand stands for reach, relevance and resilience. Idea in line with its stated mission of competitive and profitable growth, on strength of expanded spectrum portfolio and accelerated pan India infrastructure rollout remains confident to tap all emerging opportunities in rural mobile voice and broadband business.

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 (@16%) and Payments Bank (@49%) 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 19.3% (Q1FY17). 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.