

# IDEA CELLULAR

## Cost rationalisation springs margin surprise

India Equity Research | Telecom

Idea Cellular (Idea) reported 6.2% QoQ revenue decline (Street estimate 5.0% QoQ decline) to INR81.3bn as voice and data realisations plunged impacted by heightened competition. However, EBITDA margin spurted by 200bps to 27.0% on cost rationalisation and forex gains. Idea guided for INR60bn capex in FY18, versus actual capex of INR78bn in FY17. Management highlighted they are looking at active infrastructure sharing arrangement with 2-3 operators, which can significantly lower network costs and capex. As competitive intensity will keep industry revenue growth under pressure, we expect companies to adopt significant cost cutting measures. Maintain 'HOLD' with DCF-based target price of INR95.

### Competitive pressure leads revenue headwinds

Idea reported 6.2% QoQ dip in revenue as voice and data realisations fell 12.5% and 27.7% QoQ, respectively, as it offered higher discounts to retain existing subscribers. However, the company's data subscriber base declined by 6.4mn QoQ as it withdrew trial offers. Price elasticity led to 10.3% and 16.7% data and voice volume increase, respectively. We expect realisations to remain under pressure as the competitive intensity remains elevated.

### Wide-range measures to curtail costs, capex

Idea managed to increase EBITDA margin by 200bps QoQ, primarily on lower network cost and SG&A. Lower network cost was due to rationalisation of low utilisation sites and write-back of excess provisions. We expect these steps to minimise cash burn anticipating active infra-sharing deal or impending merger with Vodafone. The company also lowered its capex guidance to INR60bn as it is looking at active infrastructure sharing with 2-3 operators. We believe Idea and Vodafone are likely to align their capex to avoid network duplication and entail synergies.

### Outlook and valuations: Prune estimates; maintain 'HOLD'

We have cut our FY18/19E revenue and EBITDA by 8.6%/8.1% and 15.6%/11.3% due to the plunge in realisation following the extension of discount by RJIO. However, we have also cut our capex estimate by 20.8%/16.7% as Idea adopts active infrastructure sharing for capacity expansion. As the decline in EBITDA offsets capex drop, our TP in our DCF based model remains at INR95. At CMP, the stock is trading at 7.2x FY18E and 6.4x FY19E EV/EBITDA. Maintain 'HOLD/SP'.

#### Financials

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Revenues	81,261	94,784	(14.3)	86,627	(6.2)	355,757	365,243	394,126
EBITDA	21,965	33,343	(34.1)	21,654	1.4	102,763	104,685	114,976
Adj. Net profits	(3,277)	4,517	(172.5)	(3,839)	(14.6)	(3,997)	(8,530)	(338)
Dil. EPS (INR)	(1.0)	1.4	(172.5)	(1.2)	(14.6)	(1.1)	(2.4)	(0.1)
Diluted P/E (x)						NA	NA	NA
EV/EBITDA (x)						7.9	7.2	6.4
ROAE (%)						(1.7)	(3.5)	(0.1)

#### EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

#### MARKET DATA (R: IDEA.BO, B: IDEA IN)

CMP	: INR 86
Target Price	: INR 95
52-week range (INR)	: 124 / 66
Share in issue (mn)	: 3,605.8
M cap (INR bn/USD mn)	: 310 / 4,843
Avg. Daily Vol.BSE/NSE('000)	: 17,749.5

#### SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	42.4	42.4	42.2
MF's, FI's & BK's	6.8	6.9	6.6
FII's	27.0	24.3	25.1
Others	23.8	26.3	26.1
* Promoters pledged shares (% of share in issue)	:	NIL	

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Telecommunication Index
1 month	(0.1)	3.2	3.9
3 months	(19.8)	8.3	0.8
12 months	(24.2)	20.9	(0.5)

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Table 1: KPIs

Particulars	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Subscriber base (mn)	151	162	167	172	175	176	179	185	190
Prepaid subscriber propn. (%)	95.6	95.6	95.6	95.6	95.5	95.4	95.3	95.5	95.6
Post-paid churn (%)	2.6	3.1	3.2	2.8	2.9	3.0	3.1	3.5	3.6
Prepaid churn (%)	4.7	4.7	5.2	5.4	4.8	5.3	5.5	6.1	6.2
Blended churn (%)	4.6	4.7	5.1	5.3	4.7	5.2	5.4	6.0	6.1
<b>Operating parameters</b>									
Average revenue per user (INR)	179	182	175	176	179	181	173	157	142
QoQ change (%)	0.0	1.7	(3.8)	0.6	1.7	1.1	(4.5)	(9.2)	(9.6)
Average minutes of use per user	400	408	386	393	387	379	368	385	412
QoQ change (%)	3.1	2.0	(5.4)	1.8	(1.5)	(2.1)	(2.8)	4.6	7.0
Average realised rate (INR)	0.448	0.445	0.453	0.448	0.464	0.477	0.470	0.407	0.345
QoQ change (%)	(3.2)	(0.7)	1.8	(1.1)	3.6	2.8	(1.5)	(13.4)	(15.2)
Non-voice revenue (% of ARPU)	24.5	26.1	27.9	28.9	28.3	28.2	29.6	27.2	24.9
Minutes of usage (mn)	185,028	195,752	189,452	199,165	201,606	199,307	195,504	209,828	231,372
Cell-sites (rented- Others)	42,709	44,508	46,489	48,249	50,049	50,509	52,121	53,438	53,732
Cell-sites (rented- Indus)	60,161	61,593	63,287	64,721	67,169	67,743	69,618	70,661	69,688
Owned towers	9,557	9,532	9,578	9,640	9,744	9,760	9,772	9,784	9,977
Tenancy ratio (owned towers)	1.60	1.61	1.61	1.64	1.66	1.66	1.68	1.68	1.72
3G cell sites	30,291	33,621	39,867	45,732	50,060	51,231	60,467	66,661	69,202
<b>Data business</b>									
Total data subscribers (2G+ 3G+4G)('000)	33,424	37,156	41,334	41,351	44,019	49,050	54,063	48,583	42,233
QoQ change (%)	(2.1)	11.2	11.2	0.0	6.5	11.4	10.2	(10.1)	(13.1)
Data as % of service revenue	16.9	17.7	19.6	20.2	20.1	20.6	21.9	20.2	18.3
Total data volume (TB)(2G+ 3G+4G)	54,500	62,677	72,013	80,994	82,236	93,127	107,439	108,843	127,014
QoQ change (%)	18.3	15.0	14.9	12.5	1.5	13.2	15.4	1.3	16.7
Total data volume (TB) (3G+4G)	30,680	36,031	43,051	53,600	57,603	66,853	79,861	84,455	104,223
QoQ change (%)	22.8	17.4	19.5	24.5	7.5	16.1	19.5	5.8	23.4
Data ARMB (INR)	0.257	0.246	0.234	0.223	0.229	0.211	0.187	0.159	0.115
QoQ change (%)	(4.5)	(4.3)	(4.9)	(4.7)	2.7	(7.9)	(11.4)	(15.0)	(27.7)
Data ARPU (INR) (2G+3G+4G)	150	147	144	145	147	142	130	111	110
QoQ change (%)	19.0	(2.0)	(2.0)	0.7	1.4	(3.4)	(8.5)	(14.6)	(0.9)
Data usage per subscriber (MB) (2G+3G+4G)	586	599	615	653	641	674	694	703	957
QoQ change (%)	24.7	2.2	2.7	6.2	(1.8)	5.1	3.0	1.3	36.1
Data ARPU for 3G subscriber (INR)	209	203	202	196	191	174	160	141	138
QoQ change (%)	6.1	(2.9)	(0.5)	(3.0)	(2.6)	(8.9)	(8.0)	(11.9)	(2.1)
Data usage of Broadband Sussubscriber (MB)	777	778	802	866	857	889	922	971	1,381
QoQ change (%)	10.2	0.1	3.1	8.0	(1.0)	3.7	3.7	5.3	42.2

Source: Company, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	81,261	94,784	(14.3)	86,627	(6.2)	355,757	365,243	394,126
Direct costs	44,894	46,686	(3.8)	47,780	(6.0)	190,201	202,850	217,666
Employee expenses	4,367	4,172	4.7	4,487	(2.7)	17,976	17,532	18,130
Other expenses	10,035	10,583	(5.2)	12,705	(21.0)	44,817	40,177	43,354
Total expenditure	59,296	61,441	(3.5)	64,973	(8.7)	252,994	260,559	279,150
EBITDA	21,965	33,343	(34.1)	21,654	1.4	102,763	104,685	114,976
Depreciation	19,885	18,777	5.9	19,653	1.2	78,272	84,264	86,035
EBIT	2,080	14,566	(85.7)	2,002	3.9	24,491	20,421	28,941
Other income	684	223	206.7	437	56.7	3,069	1,400	1,700
Interest	10,816	8,995	20.2	9,669	11.9	40,411	41,759	38,317
Profit before tax	(7,069)	6,959	NA	(6,087)	NA	(8,632)	(15,508)	(3,024)
Provision for taxes	(3,792)	2,442	NA	(2,248)	NA	(4,635)	(6,978)	(2,686)
Associate profit share	983	1,165	(15.6)	1,143	(14.0)	4,219	4,430	4,651
Reported net profit	(3,277)	4,517	NA	(3,839)	NA	(3,997)	(8,530)	(338)
Adjusted Profit	(3,277)	4,517	NA	(3,839)	NA	(3,997)	(8,530)	(338)
Diluted EPS (INR)	(1.0)	1.4	NA	(1.2)	NA	(1.1)	(2.4)	(0.1)
Basic EPS (INR)	(1.0)	1.4	NA	(1.2)	NA	(1.2)	(2.6)	(0.1)
Diluted P/E (x)						NA	NA	NA
EV/EBITDA (x)	-	-		-		7.9	7.2	6.4
EV/Revenues (x)	-	-		-		2.3	2.1	1.9

## As % of net revenues

Direct costs	55.2	49.3		55.2		53.5	55.5	55.2
Employee cost	5.4	4.4		5.2		5.1	4.8	4.6
Other operating expenses	12.3	11.2		14.7		12.6	11.0	11.0
EBITDA	27.0	35.2		25.0		28.9	28.7	29.2
Adjusted net profit	(4.0)	4.8		(4.4)		(1.1)	(2.3)	(0.1)
Tax rate (% PBT)	53.6	35.1		36.9		53.7	45.0	88.8

## Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	365,243	399,445	(8.6)	394,126	428,807	(8.1)	Revenue cut on dip in realisations and data subscriber base
EBITDA	104,685	123,973	(15.6)	114,976	129,624	(11.3)	Operating leverage leads EBITDA decline
EBITDA Margin	28.7	31.0		29.2	30.2		
Adjusted Profit	(8,530)	1,035	(924.2)	(338)	1,167	(128.9)	
After Tax							
Net Profit Margin	(2.3)	0.3		(0.1)	0.3		
Capex	(62,464)	(78,893)	(20.8)	(67,247)	(80,741)	(16.7)	Cut capex estimates as company is looking to cut costs through active infrastructure sharing

### Company Description

Idea is India's third largest telecom operator with a subscriber base of 198.3mn and revenue market share of ~19%. Idea provides Pan India GSM mobile services in all 22 service areas of India. Idea provides 3G services in 15 service areas covering ~86% of its revenue, ~87% of its subscribers on its own and 21 service areas of India (except Orissa), through Intra- Circle Roaming (ICR) arrangements with other operators. The 4G spectrum profile of the company covers ~94% of its revenue and ~90% of industry revenue in 20 service areas.

### Investment Theme

The industry is going through turmoil as Reliance Jio (RJIO) has created significant upfront capacity and is looking to gain proportionate volume and revenue share by offering discounts and extended trial offer. We expect the revenue growth for the industry to remain under pressure as incumbent operators extend discounts to retain its subscriber base. Hence we maintain negative stance on the sector. We expect sustained competitive intensity to accelerate consolidation in the industry with emergence of fewer, but stronger players. Idea and Vodafone have also announced consolidation of their operation which can bring in significant synergy benefit in the medium to long term. Stability in the competitive environment is pivotal for the sector's profitable growth and we will wait for industry's subscriber addition and churn to plateau before turning positive.

### Key Risks

Increased competition in data may impact data pricing power which may lead to lower data revenue growth. Further escalation in competitive intensity putting pressure on the realization would be negative.

## Financial Statements

### Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
<b>Company</b>				
Total subscribers (mn)	157.5	172.2	179.4	183.9
growth	9.4	9.3	4.2	2.5
MOU	410.2	399.9	403.9	408.0
RPM	0.5	0.4	0.3	0.3
growth	(2.8)	(7.9)	(20.4)	2.7
ARPU (INR)	186	167	134	139
growth	1.0	(10.2)	(19.6)	3.7
Mobile Biz (New circle)	0.1	-	-	-
Total subscribers	17.6	19.9	22.3	23.8
growth	27.2	13.0	12.1	6.7
MOU	232.8	199.6	203.6	207.7
RPM	0.5	0.6	0.5	0.5
growth	34.3	7.0	(13.1)	4.0
ARPU (INR)	127	117	103	110
growth	(0.1)	(8.2)	(11.4)	6.1
<b>Cost assumptions</b>				
Network opex (% of rev)	25.8	30.0	31.9	31.6
Access charge (% of rev)	13.0	12.0	12.5	12.4
Sub. Acq. Exp (% of rev)	9.3	9.8	9.0	9.0
Interest Cost (% of rev)	34.2	93.4	8.1	8.1
<b>Financial assumptions</b>				
Tax rate as % of PBT	39.8	36.1	35.0	35.0
Capex (INR mn)	(391,933)	(134,552)	(62,464)	(67,247)
Debtor days	11	13	15	17
Dep. (% gross block)	12.4	11.0	11.5	12.4
Incremental debt	136,822	145,132	(70,000)	(15,000)

### Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	359,494	355,757	365,243	394,126
Direct costs	181,228	190,201	202,850	217,666
Employee costs	16,119	17,976	17,532	18,130
Other Expenses	42,471	44,817	40,177	43,354
Total operating expenses	239,818	252,994	260,559	279,150
EBITDA	119,676	102,763	104,685	114,976
Depreciation	62,561	78,272	84,264	86,035
EBIT	57,115	24,491	20,421	28,941
Add: Other income	2,131.00	3,069.16	1,400.08	1,700.08
Less: Interest Expense	20,962	40,411	41,759	38,317
Profit Before Tax	42,501	(8,632)	(15,508)	(3,024)
Less: Provision for Tax	15,220	(4,635)	(6,978)	(2,686)
Associate profit share	4,217	4,219	4,430	4,651
Reported Profit	27,281	(3,997)	(8,530)	(338)
Adjusted Profit	27,281	(3,997)	(8,530)	(338)
Shares o/s (mn)	3,601	3,605	3,605	3,605
Adjusted Basic EPS	7.6	NA	NA	NA
Diluted shares o/s (mn)	3,601	3,605	3,605	3,605
Adjusted Diluted EPS	7.6	NA	NA	NA
Adjusted Cash EPS	25.0	20.6	21.0	23.8
Dividend per share (DPS)	0.6	-	-	-
Dividend Payout Ratio(%)	9.3	-	-	-

### Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	66.7	71.1	71.3	70.8
Materials costs	50.4	53.5	55.5	55.2
Staff costs	4.5	5.1	4.8	4.6
S G & A expenses	11.8	12.6	11.0	11.0
Depreciation	17.4	22.0	23.1	21.8
Interest Expense	5.8	11.4	11.4	9.7
EBITDA margins	33.3	28.9	28.7	29.2
Net Profit margins	7.6	(1.1)	(2.3)	(0.1)

### Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	13.9	(1.0)	2.7	7.9
EBITDA	10.6	(14.1)	1.9	9.8
PBT	(13.8)	nm	nm	nm
Adjusted Profit	(14.6)	nm	nm	nm
EPS	(14.6)	nm	nm	nm

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	36,005	36,053	36,053	36,053	
Reserves & Surplus	199,500	211,270	202,739	202,401	
Shareholders' funds	235,505	247,323	238,792	238,454	
Short term borrowings	46,373	34,167	34,167	59,167	
Long term borrowings	359,040	516,378	446,378	406,378	
Total Borrowings	405,413	550,545	480,545	465,545	
Long Term Liabilities	31,284	19,144	19,144	19,144	
Def. Tax Liability (net)	19,539	13,587	13,587	13,587	
<b>Sources of funds</b>	<b>691,741</b>	<b>830,599</b>	<b>752,068</b>	<b>736,730</b>	
Gross Block	507,261	518,061	580,525	647,771	
Net Block	211,761	228,443	180,256	178,718	
Capital work in progress	60,398	75,351	75,351	75,351	
Intangible Assets	440,201	539,250	522,000	504,750	
Total Fixed Assets	712,360	843,044	777,607	758,819	
Non current investments	43,926	47,678	61,981	61,981	
Cash and Equivalents	20,996	49,825	35,937	42,944	
Inventories	1,065	588	1,096	1,182	
Sundry Debtors	11,424	13,139	16,436	19,706	
Loans & Advances	17	21	5,479	7,883	
Other Current Assets	11,467	12,752	12,752	12,752	
Current Assets (ex cash)	23,973	26,500	35,762	41,523	
Trade payable	32,471	40,777	44,295	47,455	
Other Current Liab	77,043	95,671	114,924	121,082	
Total Current Liab	109,514	136,448	159,219	168,537	
Net Curr Assets-ex cash	(85,541)	(109,948)	(123,457)	(127,014)	
<b>Uses of funds</b>	<b>691,741</b>	<b>830,599</b>	<b>752,068</b>	<b>736,730</b>	
BVPS (INR)	65.4	68.6	66.2	66.1	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	27,281	(3,997)	(8,530)	(338)	
Add: Depreciation	62,561	78,272	84,264	86,035	
Interest (Net of Tax)	12,628	25,835	27,143	24,906	
Others	63,352	22,979	(126)	(17,792)	
Less: Changes in WC	37,990	24,407	13,509	3,557	
Operating cash flow	127,832	98,682	89,243	89,254	
Less: Capex	(391,933)	(134,552)	(62,464)	(67,247)	
<b>Free Cash Flow</b>	<b>(264,101)</b>	<b>(35,870)</b>	<b>26,779</b>	<b>22,007</b>	

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Idea Cellular	4,843	(36.4)	(918.2)	7.2	6.4	(3.5)	(0.1)
Bharti Airtel	22,719	32.9	28.0	7.0	6.2	6.3	6.9
Bharti Infratel	10,711	22.1	20.1	10.0	9.2	19.9	21.4
Reliance Communication	1,243	407.1	(525.5)	8.0	6.8	0.3	0.2
Median	-	27.5	(252.7)	7.6	6.6	3.3	3.5
AVERAGE	-	106.4	(348.9)	8.0	7.1	5.7	7.1

Source: Edelweiss research

Cash flow metrics				
Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	127,832	98,682	89,243	89,254
Investing cash flow	53,739	145,180	(117,036)	(15,000)
Financing cash flow	(290,687)	(173,997)	(81,767)	(65,247)
Net cash Flow	(109,115)	69,865	(109,560)	9,007
Capex	(391,933)	(134,552)	(62,464)	(67,247)
Dividend paid	(2,792)	-	-	-

## Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	11.7	(1.7)	(3.5)	(0.1)
ROACE (%)	10.4	3.8	2.9	4.3
Inventory Days	2	2	2	2
Debtors Days	11	13	15	17
Payable Days	48	53	60	60
Cash Conversion Cycle	(36)	(39)	(43)	(41)
Current Ratio	0.4	0.6	0.5	0.5
Gross Debt/EBITDA	3.4	5.4	4.6	4.0
Gross Debt/Equity	1.7	2.2	2.0	2.0
Adjusted Debt/Equity	1.7	2.2	2.0	2.0
Interest Coverage Ratio	2.7	0.6	0.5	0.8

## Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.6	0.5	0.5	0.5
Fixed Asset Turnover	0.7	0.5	0.5	0.6
Equity Turnover	1.5	1.5	1.5	1.7

## Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	7.6	(1.1)	(2.4)	(0.1)
Y-o-Y growth (%)	(14.6)	(114.6)	113.4	(96.0)
Adjusted Cash EPS (INR)	25.0	20.6	21.0	23.8
Diluted P/E (x)	11.4	NA	NA	NA
P/B (x)	1.3	1.3	1.3	1.3
EV / Sales (x)	1.8	2.3	2.1	1.9
EV / EBITDA (x)	5.8	7.9	7.2	6.4
Dividend Yield (%)	0.7	-	-	-

## Additional Data

### Directors Data

Mr. Kumar Mangalam Birla	Chairman	Mrs. Rajashree Birla	Non-Executive Director
Dr. Rakesh Jain	Non-Executive Director	Mr. Biswajit A. Subramanian	Non-Executive Director
Mr. Juan Villalonga Navarro	Non-Executive Director	Mr. Sanjeev Aga	Non-Executive Director
Mr. Arun Thiagarajan	Independent Director	Mr. Gian Prakash Gupta	Independent Director
Mr. Mohan Gyani	Independent Director	Ms. Tarjani Vakil	Independent Director
Mr. R.C. Bhargava	Independent Director	Mr. P. Murari	Independent Director
Ms. Madhabi Puri Buch	Independent Director	Mr. Himanshu Kapania	Managing Director
Dr. Shridhir Sariputta Hansa Wijayasuriya	Alternate Director to Mr. Juan Villalonga Navarro		

Auditors - Deloitte Haskins and Sells, Chartered Accountants

*\*as per last annual report*

### Holding – Top10

	Perc. Holding		Perc. Holding
Aditya birla nuvo lt	23.23	Axiata investments 2	19.75
Birla tmt holdings p	7.86	Commonwealth bank of	6.39
Hindalco industries	6.33	Grasim industries lt	4.74
P5 asia invest mauri	3.33	Icici prudential lif	3.17
Vanguard group	3	Goldman sachs group	1.92

*\*in last one year*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Feb 2017	P5 Asia Investments (Mauritius) Ltd	Sell	120000000	107.32
28 Feb 2017	Goldman Sachs India Fund Ltd	Buy	22549517	107.10
03 Jun 2016	Morgan Stanley Asia (Singapore) Pte	Buy	66679132	110.41
03 Jun 2016	P5 Asia Investments Mauritius Ltd	Sell	125000000	110.65

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Apr 2017	Uday Kumar Shah	Sell	23361.00
03 Apr 2017	Mr. Raval Robindranath	Sell	28361.00
03 Apr 2017	Mr. Sudeepta Chaudhuri	Sell	19405.00
31 Mar 2017	Mr. Raval Robindranath	Sell	28361.00
31 Mar 2017	Uday Kumar Shah	Sell	23361.00

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Bharti Airtel	HOLD	SP	L	Bharti Infratel	HOLD	SP	L
Idea Cellular	HOLD	SP	M	Reliance Communication	HOLD	SU	H

### ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

### RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

### RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

### SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Ideas create, values protect

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Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

### Coverage group(s) of stocks by primary analyst(s): Telecom

Bharti Airtel, Bharti Infratel, Idea Cellular, Reliance Communication

#### Recent Research

Date	Company	Title	Price (INR)	Recos
10-May-17	<b>Bharti Airtel</b>	Win some, lose some; competition key concern; <i>Result Update</i>	373	Hold
09-May-17	<b>Bharti Infratel</b>	Network capex boosts revenue; consolidation pangs; <i>Result Update</i>	366	Hold
21-Mar-17	<b>Idea Cellular</b>	Vodafone merger: Back-ended synergy benefits; <i>Event Update</i>	93	Hold

#### Distribution of Ratings / Market Cap

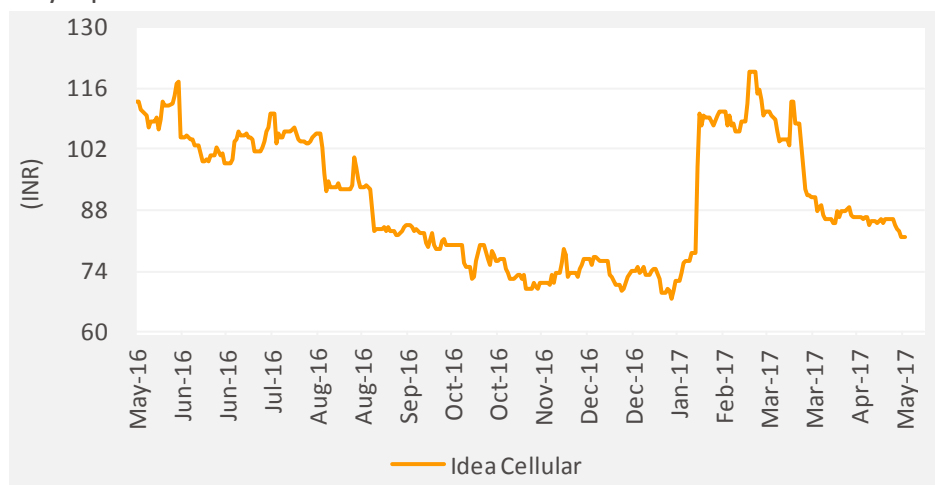
##### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

#### One year price chart



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