

May 15, 2017

Idea Cellular (IDECEL)

₹ 86

Effective cost control abates pricing pain...

- Revenues were lower at ₹ 8126.1 crore vs. our estimate of ₹ 8314.5 crore owing to data and non data VAS revenues being lower than expected, impacted by a steeper decline in tariffs that were at 11.5 paisa, down 28% QoQ vs. our estimate of 12.8 paisa, hence leading to data revenues of ₹ 1457.0 crore (down 15% QoQ). Though data volumes grew 16.7% QoQ to 127 billion MB, higher than our estimates of 117.7 MB, growth stayed lower than Airtel, which reported data growth in excess of 30%. Voice traffic growth of 10.3% QoQ to 231.3 billion minutes was higher driven by huge influx of incoming traffic from Jio. This led to a sharp decline in voice ARPM at 12.5% QoQ to 25.9 paisa leading to voice revenues of ₹ 5979.0 crore (down 3.2% QoQ)
- EBITDA came in at 2196.5 crore, up 1.4% QoQ and higher than our estimates of ₹ 1860 crore. The company exercised strict cost control measures on several counts and posted margins of 27% vs. estimate of 22.4%. There was forex gains of ₹ 77 crore vs. loss of ₹ 26 crore in Q3FY17 which boosted margins
- The company reported a net loss of ₹ 327.7 crore (vs. expectation of a loss of ₹ 674.4 crore) owing to better-than-expected margins. Losses would have been steeper but for tax credit availed by the company

Expect industry repair from FY19E onwards

We believe that industry repair is atleast couple of quarters away as Jio would continue to flood the market with freebies to capture a meaningful market share, thereby forcing incumbents to follow suit to protect their turf. Going into FY19E, with market ultimately moving towards four or five player, we expect pricing sanity to return thereafter. We expect voice traffic growth and ARPM decline CAGR in FY17-19E of 13.3% and 14.4% to 1074 billion minutes and 22.1 paisa, respectively, leading to a decline in voice revenue (CAGR of 3.1% decline in FY17-19E) to ₹ 23761 crore in FY19E. Similarly, data tariffs are expected to decline to 25.3% CAGR in FY17-19E to 8.7 paisa, diluting data revenue growth CAGR to 15.5% in FY17-19E to ₹ 9477 crore, despite data volume growth CAGR of 54.7% in FY17-19E to 1044 billion MB in FY19E.

Impressive cost control but unsustainable in competitive scenario

Idea's Q4FY17 performance was aided by effective cost control as the company exercised strict costs control measures on several counts and posted margins of 27% vs. estimate of 22.4%. There was also an element of forex gain (₹ 77 crore) and network cost reversal which aided the margins. The management guided that cost rationalisation (ex of reversal & forex gains) is sustainable. We note that cost vs. market share dilemma at current juncture could restrict further cost reduction. We slightly revise our margins and build in 25.4% and 26.0% in FY18E and FY19E, respectively, vs. 28.9% in FY19E.

Tough times to continue in near term; maintain HOLD

We are impressed by Idea's strict cost control, which has partially offset the pricing pain. We continue to believe that over the long term, the industry pricing discipline could gather pace while the exit of marginal player would benefit the top three players. Furthermore, Idea-Vodafone merger would enable the combine entity to reap the benefits of scale and efficiency. We, however, maintain that near term tough times would remain and industry repair is at least a couple of quarters away. We maintain **HOLD** rating with a revised target price of ₹ 95 on a DCF based methodology.

Rating matrix		
Rating	:	Hold
Target	:	₹ 95
Target Period	:	12 months
Potential Upside	:	10%

What's changed?	
Target	Changed from ₹ 100 to ₹ 95
EPS FY18E	Changed from ₹ -7.1 to ₹ -6.2
EPS FY19E	Changed from ₹ -6 to ₹ -5.2
Rating	Unchanged

Quarterly performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	8,126.1	9,483.9	-14.3	8,662.7	-6.2
EBITDA	2,196.5	3,616.0	(39.3)	2,165.5	1.4
EBITDA (%)	27.0	38.1	-1110 bps	25.0	203 bps
PAT	(327.7)	575.6	(156.9)	(383.9)	-14.6

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	35,981	35,576	33,500	35,966
EBITDA	13,030	10,276	8,497	9,363
PAT	3,080	(400)	(2,246)	(1,869)
EPS (in ₹)	8.6	(1.1)	(6.2)	(5.2)

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	10.1	NA	NA	NA
Target P/E	11.1	NA	NA	NA
EV / EBITDA	5.3	7.9	9.5	8.4
P/BV	1.3	1.3	1.4	1.5
RoNW (%)	13.1	-1.6	-10.0	-9.1
RoCE (%)	9.6	3.3	0.8	1.3

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	30,992.5
Total Debt (FY17) (₹ Crore)	55,054.5
Cash (FY17) (₹ Crore)	82.7
EV (₹ Crore)	81,064.5
52 week H/L	124 / 66
Equity capital	3,597.8
Face value	10.0

Price performance				
	1M	3M	6M	12M
Bharti Airtel	7.9	4.2	20.9	1.0
RCOM	-11.9	-4.5	-24.2	-40.6
Idea	3.2	-17.9	24.0	-19.8

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	Q3FY17	YoY (%)	QoQ (%)	Comments
Revenue	8,126.1	8,314.5	9,483.9	8,662.7	-14.3	-6.2	Revenues came in lower owing to data revenues being lower-than-expected, impacted by a steeper decline in tariffs and decline in data subscribers in the quarter
Other Income	68.4	40.0	40.2	43.7	70.0	56.7	
Employee Expenses	436.7	441.8	430.6	448.7	1.4	-2.7	
Marketing Expenses	825.2	923.7	828.6	948.0	-0.4	-13.0	
Network operating expenditure	2,651.4	2,808.6	2,087.6	2,794.2	27.0	-5.1	
License and WPC Charges	893.5	942.0	1,099.5	981.4	-18.7	-9.0	
Roaming & Access Charges	942.4	1,017.5	1,159.9	998.4	-18.8	-5.6	
EBITDA	2,196.5	1,860.0	3,616.0	2,165.5	-39.3	1.4	The company exercised strict costs control measures on several counts. Marketing expenses, network operating expenses and roaming charges came in below our estimates hence boosting margins. There was also an element of forex gain (₹ 77 crore) and network cost reversal which aided the margins.
EBITDA Margin (%)	27.0	22.4	38.1	25.0	-1110 bps	203 bps	
Depreciation	1,988.5	1,957.9	1,973.7	1,965.3	0.7	1.2	
Interest	1,081.6	1,004.3	808.1	966.9	33.9	11.9	
Total Tax	-379.2	-265.5	298.9	-224.8	-226.9	68.7	The company availed of certain MAT credit leading to tax benefits
PAT	-327.7	-674.4	575.6	-383.9	-156.9	-14.6	

Key Metrics

Subscribers (Million)	189.5	190.7	175.1	185.2	8.2	2.3	
ARPU (Rs)	142	146	179	157	-20.7	-9.6	ARPU continued to decline owing to competitive pricing
MoU (Rs)	412.0	410.1	387.0	385.0	6.5	7.0	
ARPM (Rs)	34.50	35.41	46.4	40.7	-25.6	-15.2	The huge influx of incoming minutes from Jio, which brings in lower realisations of 14.0 paisa weighed down on overall voice realisations

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	34,210.0	33,499.5	-2.1	37,161.1	35,966.3	-3.2	We expect the market repair to begin from FY19E onwards. However, FY18E revenues of the incumbents would be pressurised as Jio continues to lure customers with discounted offers forcing the incumbents to follow suit
EBITDA	7,964.1	8,497.5	6.7	9,286.7	9,363.2	0.8	
EBITDA Margin (%)	23.3	25.4	207 bps	25.0	26.0	104 bps	We build in higher margins taking into account Idea's cost control
PAT	-2,540.1	-2,246.2	NM	-2,173.1	-1,869.0	NM	
EPS (₹)	-7.1	-6.2	NM	-6.0	-5.2	NM	

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Wireless Subscribers (Mn)	175.1	189.5	197.5	211.7	198.8	207.4	
Blended ARPU	177.2	160.2	141.0	143.4	144.3	150.6	The ARPU estimates have been toned down in line with the ongoing tariffs being offered by the company
Total Minutes	786.0	836.0	990.3	1,074.5	957.5	1,036.5	Total minutes on network would be higher due to huge influx of incoming traffic from Jio
MoU per subscriber	394.0	382.9	422.5	433.7	406.8	417.4	
ARPM (Paisa)	45.0	41.7	33.0	32.7	34.8	35.0	

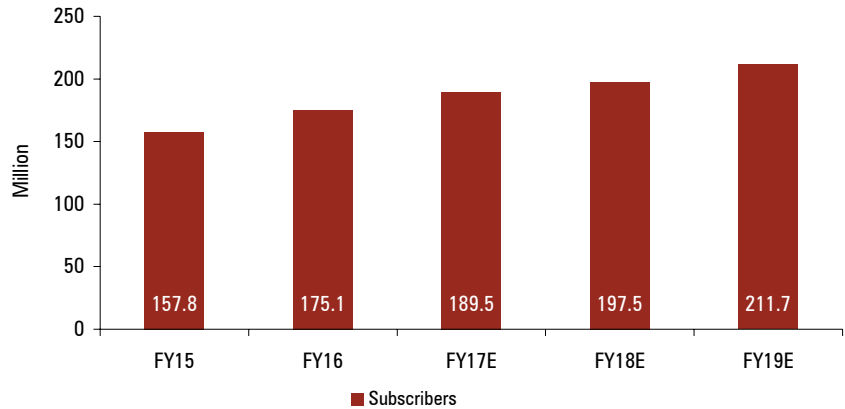
Source: Company, ICICIdirect.com Research

Company Analysis

Idea registers 2.3% QoQ subscriber growth to 189.5 million

Idea added 4.3 million subscribers in the quarter, up 2.3% QoQ to 189.5 million users. We expect Idea to see subscriber growth of 5.7% CAGR in FY17-19E to 211.7 million subscribers with major growth coming in from new circles.

Exhibit 1: Subscriber details trends



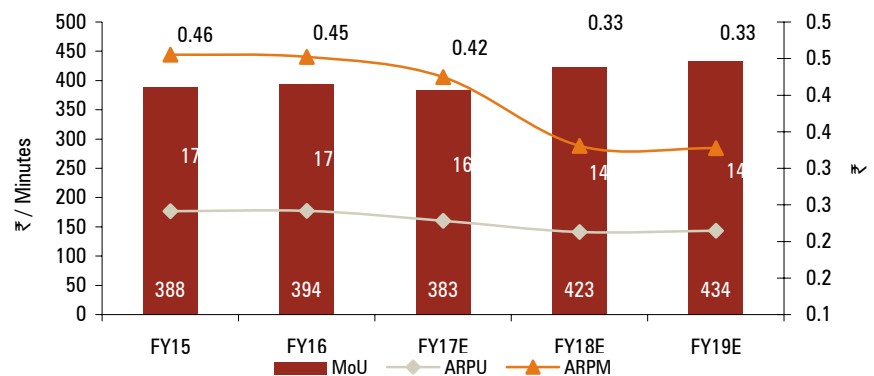
Source: Company, ICICIdirect.com Research

Both voice, data ARPMs face steep tariff decline in quarter

Overall voice traffic increased more-than-expected in the quarter with huge influx of incoming voice calls from the Jio network, which further dampened overall voice realisations. The voice traffic growth of 10.3% QoQ to 231.3 billion minutes was higher driven by huge influx of incoming traffic from Jio. This led to a sharp decline in voice ARPM at 12.5% QoQ to 25.9 paisa leading to voice revenues of ₹ 5979.0 crore (down 3.2% QoQ). Such a declining ARPM trend and higher traffic growth are likely to continue in the near term but would stabilise in the longer term, assuming telcos with huge investments would resort to rational pricing at some point.

We expect voice traffic growth and ARPM decline CAGR in FY17-19E of 13.3% and 14.4% to 1074 billion minutes and 22.1 paisa, respectively, leading to a decline in voice revenue (CAGR of 3.1% decline in FY17-19E) to ₹ 23761 crore in FY19E.

Exhibit 2: ARPM trends

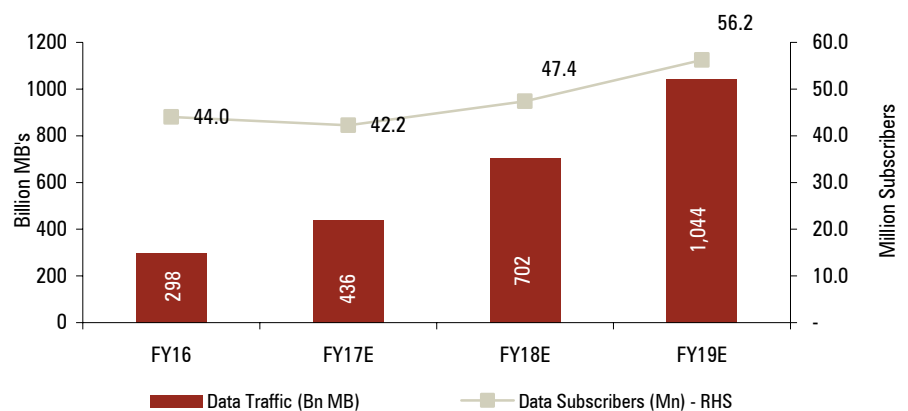


Source: Company, ICICIdirect.com Research

During Q4FY17, data subscribers declined 13.1% QoQ to 42.2 million subscribers. Though a similar trend is expected in near term, we expect Idea to post 14.1% data subscriber growth CAGR in FY17-19E to 55.0 million subscribers.

As far as data realisations are concerned, they continue to experience a free fall with all telcos trying to protect their turf. The quarter saw a 27.2% QoQ decline in data realisations to 10.9 paisa. We expect the declining trend to continue till competition adopts rational pricing and the Indian data segment moves towards discovering the equilibrium realisation. We expect data realisations to fall at 25.3% CAGR in FY17-19E to 8.7 paisa. In light of declining data tariffs, we expect data consumption per subscriber to grow at 41.1% CAGR in FY17-19E to 1762 MB leading to 54.7% CAGR in the overall data consumption to 1044 billion MB over the same period. Hence, data revenues are expected to grow at 15.5% over FY17-19E to ₹ 9477 crore.

Exhibit 3: Data subscribers, total data traffic



Source: Company, ICICIdirect.com Research

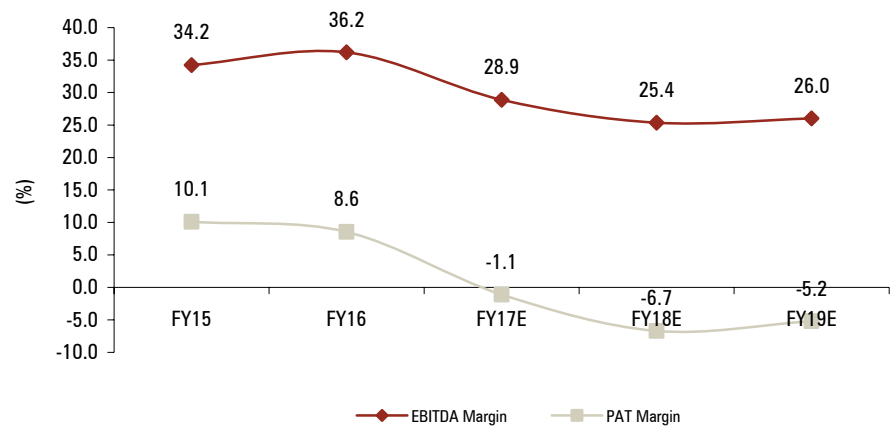
Impressive cost control but unsustainable in competitive scenario

With the shift to Ind-As from Q1FY17 onwards, higher margin earning Indus revenues have been removed from revenues, EBITDA. The proportionate share of the company features in profit/loss from associates. This accounting change has contributed to some dilution in EBITDA.

Idea's Q4FY17 performance was aided by effective cost control as it exercised strict cost control measures on several counts and posted margins of 27% vs. estimates of 22.4%. Marketing expenses, network operating expenses and roaming charges came in below our estimates, hence boosting margins. There was also an element of forex gain (₹ 77 crore) and network cost reversal which aided the margins. The management guided that cost rationalisation (ex of reversal & forex gains) is sustainable. We note that cost vs. market share dilemma at current juncture could restrict further cost reduction.

We slightly revise our margins and build in 25.4% and 26.0% in FY18E and FY19E, respectively, vs. 28.9% in FY19E.

Exhibit 4: EBITDA and PAT margins trend



Source: Company, ICICIdirect.com Research

Other takeaways from conference call

- Cost optimisation-** The company is targeting massive cost optimisation across the line items by eliminate wastes, digitising processes. The company has also taken several energy management processes and surrendered non-profitable 2G sites to bring down the overall network costs. The company has also capped the expenditure on advertising costs, E-KYC norms have also aided cost optimization (over 95% of the gross adds have been coming from E-KYC) and lastly the promotion costs have been renegotiated with the channel partners which has further reduced costs.
- Capex:** Though the company has revised its capex guidance to ₹ 6000 crore (vs. earlier guidance of ₹ 7500-8000 crore), it remains committed to further augmenting its broadband infrastructure network. The company guided seeding additional 37000-42000 broadband sites both through capex and active infra sharing to enhance its network.
- Volte Launch:** It also intends to launch VOLTE in the ensuing fiscal and have crossed the testing phase. The initial plan is to built VOLTE for 25 million customers which would cover its 4G subscribers.
- De-leveraging plan:** The plan is on track and the company is undertaking back-end work towards that, but there has be no update on that.
- Merger Update:** CCI application for the merger has been filed and the company has been responding to the several queries raised by the CCI. The company remained hopeful of early approval
- RMS:** The company registered a 19% revenue market share in CY16 (a 0.4% increase) despite the competitive headwinds present during the year.

Valuation

We believe the Idea-Vodafone merger, when consummated, will be positive for the industry as it would be a three to four player market with visibly superior network/spectrum capacity and a huge balance sheet base. Over the long term, the industry pricing discipline could gather pace and exit of marginal players would benefit the top three players.

We are impressed by Idea's strict cost control, which has partially offset the pricing pain. We, however, maintain that near term tough times would remain and industry repair is at least couple of quarters away. We maintain **HOLD** recommendation with a revised target price of ₹ 95 on a DCF based methodology.

Exhibit 5: DCF assumptions

Particulars	Amount
WACC	9.3%
Revenue CAGR over FY16E - FY22E	3.5%
PV of Cash Flow Till Terminal Year	-10,864.5
Terminal Growth	4.0%
Present Value of terminal cash flow	83,987.2
PV of firm	73,122.8
Less: Net Debt	38,987.6
Total present value of the Equity (excluding current cash)	34,135.2
Number of Equity Shares outstanding	360.2
DCF - Target price (₹)	95

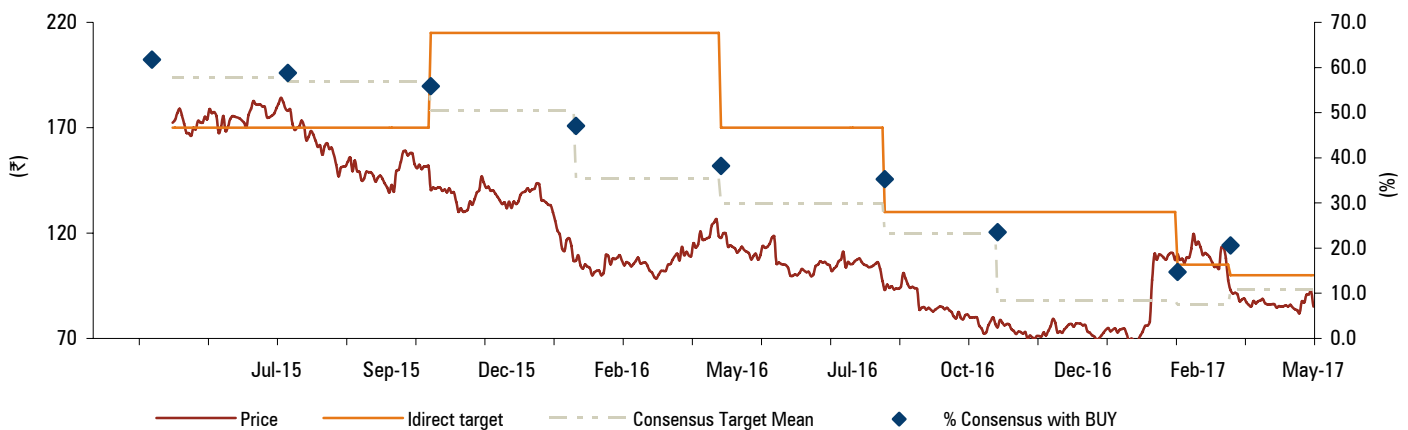
Source: Company, ICICIdirect.com Research

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	35,981.0	19.1	8.6	49.7	10.1	5.3	13.1	9.6
FY17	35,575.7	-1.1	-1.1	NA	-77.5	7.9	-1.6	3.3
FY18E	33,499.5	(5.8)	(6.2)	NA	(13.8)	9.5	(10.0)	0.8
FY19E	35,966.3	7.4	-5.2	NA	-16.6	8.4	-9.1	1.3

Source: Company, ICICIdirect.com Research

Recommendation history versus consensus estimates



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Apr-09	Idea becomes a pan- India operator through service launches in Odisha, Tamil Nadu, J&K, Kolkata, West Bengal, Assam and North East
Nov-09	Reliance Communications on November 27 introduces one paise per SMS for both GSM and CDMA customers, triggering a war of tariffs on data services from voice
Feb-12	Supreme Court cancels licenses, which include Idea's licenses in seven circles. It gives way to lower competition in the industry
Nov-12	Spectrum auction post license cancellation takes place. The auctions reduce several players to regional operators. Idea acquires licenses in the cancelled circles
Jun-13	Pricing power returns to operators. ARPMs start showing upward momentum. Idea increases its ARPM from 41 paise in FY13 to 44.9 paise by Q3FY14
Feb-14	Spectrum auctions held in the 900 and 1800 MHz band while Idea purchases spectrum in 11 circles at an outlay of ₹ 10716 crore
Jun-14	Idea Cellular successfully completes its QIP of ₹ 3000 crore and allots 223.9 million fresh equity shares at an issue price of ₹ 134 per equity share, including ₹ 124 as a premium on per share
Jul-14	Idea raises ₹ 750 crore by making preferential allotment to Axiata Group. Axiata was allotted 51.8 crore equity shares at ₹ 144.68 per equity share
Mar-15	Spectrum auctions held in the 800, 900, 1800 and 2100 Mhz band. Idea participates in auctions and wins back all its expiring spectrum with a total of 79.4 MHz won. The total payout for Idea is ₹ 30307 crore and the immediate payout is ₹ 7790 crore
Dec-15	Enters into agreement with Videocon to purchase its spectrum in the circles of UP(W) and Gujarat for an outlay of ₹ 3310 crore
Jan-15	Launches its high-speed 4G LTE network across four South India telecom service areas of Andhra Pradesh, including Telangana, Karnataka, Kerala, and Tamil Nadu. Further, Idea on 14 January, 2016 extends its 4G services to telecom circles of Madhya Pradesh and Chhattisgarh, Punjab and Haryana, and now cover 183 towns across seven circles for high-speed LTE services
Oct-16	Idea successfully completes its pan-India mobile broadband footprint and significantly boosts its capacity spectrum portfolio. It procures 274.6 MHz of spectrum at an aggregate bid value of ₹ 12,798.0 crore completing its mobile broadband footprint across all 22 circles with 4G capacity in 20 circles

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Aditya Birla Group	31-Dec-16	42.17	1,520.4	0.0
2	Axiata Group Bhd	31-Dec-16	19.75	712.0	0.0
3	Stewart Investors	31-Dec-16	4.50	162.3	0.4
4	Providence Equity Partners LLC	31-Dec-16	3.33	120.0	0.0
5	ICICI Prudential Life Insurance Company Ltd.	31-Dec-16	3.17	114.3	14.5
6	Capital World Investors	31-Mar-16	2.18	78.7	-7.3
7	Schroder Investment Management Ltd. (SIM)	31-Dec-16	1.45	52.4	0.0
8	The Vanguard Group, Inc.	31-Dec-16	1.45	52.4	0.0
9	BNP Paribas Investment Partners Asia Ltd.	30-Sep-16	1.08	39.0	-7.9
10	Goldman Sachs Asset Management International	31-Mar-17	1.03	37.0	6.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	42.24	42.23	42.23	42.45	42.41
FII	24.20	25.68	25.12	24.34	26.97
DII	5.15	6.47	6.60	6.79	6.84
Others	28.41	25.62	26.05	26.42	23.78

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Franklin Advisers, Inc.	+37.07M	+28.00M	First State Investments (Singapore)	-119.12M	-89.98M
ICICI Prudential Life Insurance Company Ltd.	+15.80M	+14.48M	Norges Bank Investment Management (NBIM)	-8.25M	-7.56M
Pilani Investment & Industries Corporation, Ltd.	+8.31M	+7.36M	Lyxor Asset Management	-6.35M	-4.79M
Goldman Sachs Asset Management International	+7.94M	+6.00M	HDFC Asset Management Co., Ltd.	-5.97M	-4.51M
ICICI Prudential Asset Management Co. Ltd.	+3.57M	+2.70M	Capital Research Global Investors	-3.66M	-2.77M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Total operating Income	35981.0	35575.7	33499.5	35966.3					
Growth (%)	14.0	-1.1	-5.8	7.4					
Employee Expenses	1,659.9	1,797.6	1,855.4	2,019.9					
Roaming & Access Charges	4,643.6	4,275.4	4,159.2	4,534.4					
Network operating expenditure	8,170.7	10,665.3	10,846.8	11,214.8					
License and WPC Charges	4,150.8	4,051.5	3,751.9	4,028.2					
SG&A Expenses	3,353.3	3,485.9	3,411.2	3,730.7					
Other Costs	972.8	1,023.7	977.4	1,075.0					
Total Operating Expenditure	22951.0	25299.4	25002.1	26603.0					
EBITDA	13030.0	10276.3	8497.5	9363.2					
Growth (%)	20.5	-21.1	-17.3	10.2					
Depreciation	6650.8	7827.2	8207.4	8739.8					
Interest	1881.6	4041.1	4404.4	4235.8					
Other Income	227.1	306.9	360.0	360.0					
Non Operating Expenses	0.0	0.0	0.0	0.0					
PBT	4724.7	-1285.1	-3754.3	-3252.3					
MI/ Profit from associates	0.0	-421.9	-381.8	-407.6					
Total Tax	1644.7	-463.5	-1126.3	-975.7					
PAT	3079.9	-399.7	-2246.2	-1869.0					
Growth (%)	20.5	-113.0	462.0	-16.8					
EPS (₹)	8.6	-1.1	-6.2	-5.2					

Source: Company, ICICIdirect.com Research

Cash flow statement					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Profit after Tax	3,079.9	-399.7	-2,246.2	-1,869.0					
Add: Depreciation	6,650.8	7,827.2	8,207.4	8,739.8					
Add: Interest paid	1,881.6	4,041.1	4,404.4	4,235.8					
(Inc)/dec in Current Assets	4,266.1	(255.9)	154.6	(183.6)					
Inc/(dec) in CL and Provisions	3,583.1	2,732.2	362.0	1,059.7					
Others	0.0	0.0	0.0	0.0					
CF from operating activities	19,461.5	13,944.9	10,882.2	11,982.6					
(Inc)/dec in Investments	8,055.8	-2,907.4	0.0	1,000.0					
(Inc)/dec in Fixed Assets	-37,206.5	-20,895.6	-6,000.0	-6,000.0					
Others	-337.4	-2,881.8	0.0	0.0					
CF from investing activities	-29,488.1	-26,684.8	-6,000.0	-5,000.0					
Issue/(Buy back) of Equity	2.7	4.8	0.0	0.0					
Inc/(dec) in loan funds	23,036.4	14,513.2	0.0	-1,500.0					
Dividend paid & dividend tax	-260.0	0.0	0.0	0.0					
Interest Paid	-1,881.6	-4,041.1	-4,404.4	-4,235.8					
Others	-11,655.5	1,576.6	0.0	0.0					
CF from financing activities	9,241.9	12,053.5	-4,404.4	-5,735.8					
Net Cash flow	-784.6	-686.4	477.8	1,246.9					
Opening Cash	1,553.7	769.1	82.7	560.5					
Closing Cash	769.1	82.7	560.5	1,807.4					

Source: Company, ICICIdirect.com Research

Balance sheet					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Liabilities									
Equity Capital	3,600.5	3,605.3	3,605.3	3,605.3					
Reserve and Surplus	19,950.0	21,126.9	18,880.7	17,011.8					
Others	0.0	0.0	0.0	0.0					
Total Shareholders funds	23,550.5	24,732.2	22,486.0	20,617.1					
Total Debt	40,541.3	55,054.5	55,054.5	53,554.5					
Deferred Tax Liability	1,953.9	1,358.7	1,358.7	1,358.7					
Others	2,783.0	1,530.2	1,530.2	1,530.2					
Total Liabilities	68,828.7	82,675.6	80,429.4	77,060.5					
Assets									
Gross Block	98,768.3	118,168.6	125,203.7	131,203.7					
Less: Acc Depreciation	33,578.2	41,405.4	49,612.8	58,352.6					
Net Block	65,190.1	76,763.2	75,590.9	72,851.1					
Capital WIP	6,039.8	7,535.1	6,500.0	6,500.0					
Total Fixed Assets	71,229.9	84,298.3	82,090.9	79,351.1					
Investments	2,140.4	1,478.5	1,478.5	1,478.5					
Inventory	106.5	58.8	55.4	59.4					
Debtors	1,142.4	1,313.9	1,237.2	1,328.3					
Loans and Advances	96.3	44.6	42.0	45.1					
Other Current Assets	1,033.5	1,231.2	1,159.3	1,244.7					
Cash	769.1	82.7	560.5	1,807.4					
Total Current Assets	3,147.8	2,731.2	3,054.5	4,485.0					
Creditors	3,247.1	4,077.7	3,946.5	4,237.1					
Provisions	438.0	404.1	394.7	423.7					
Total Current Liabilities	3,685.1	4,481.8	4,341.2	4,660.8					
Net Current Assets	-537.3	-1,750.6	-1,286.7	-175.9					
Other Non Current Assets	2,255.8	3,255.9	3,255.9	3,255.9					
Application of Funds	68,828.7	82,675.6	80,429.4	77,060.5					

Source: Company, ICICIdirect.com Research

Key ratios									
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Per share data (₹)									
EPS	8.6	-1.1	-6.2	-5.2					
Cash EPS	27.0	20.6	16.6	19.1					
BV	65.4	68.7	62.4	57.2					
DPS	0.7	0.0	0.0	0.0					
Cash Per Share	2.1	0.2	1.6	5.0					
Operating Ratios									
EBITDA Margin (%)	36.2	28.9	25.4	26.0					
EBIT Margin (%)	17.7	6.9	0.9	1.7					
PAT Margin (%)	8.6	-1.1	-6.7	-5.2					
Inventory days	1.1	0.6	0.6	0.6					
Debtor days	11.6	13.5	13.5	13.5					
Creditor days	32.9	41.8	43.0	43.0					
Return Ratios (%)									
RoE	13.1	-1.6	-10.0	-9.1					
RoCE	9.6	3.3	0.8	1.3					
RoIC	10.9	3.7	0.4	1.0					
Valuation Ratios (x)									
P/E	10.1	-77.5	-13.8	-16.6					
EV / EBITDA	5.3	7.9	9.5	8.4					
EV / Net Sales	1.9	2.3	2.4	2.2					
Market Cap / Sales	0.9	0.9	0.9	0.9					
Price to Book Value	1.3	1.3	1.4	1.5					
Solvency Ratios									
Debt/EBITDA	3.1	5.4	6.5	5.7					
Debt / Equity	1.7	2.2	2.4	2.6					
Current Ratio	0.2	0.2	0.2	0.2					
Quick Ratio	0.2	0.2	0.2	0.2					

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Telecom)

Sector / Company	CMP (₹)			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	TP(₹)	Rating			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Bharti Airtel (BHAAIR)	364	410	Buy	145,505	9.5	4.5	7.0	38.3	80.1	51.9	7.1	7.8	7.1	8.4	6.5	7.6	7.6	2.7	4.1
Bharti Infratel (BHAINF)	371	400	Hold	68,620	14.9	16.5	17.9	24.98	22.428	20.76	11.3	10.3	9.4	20.1	22.8	24.9	17.7	19.9	21.4
Idea Cellular (IDECEL)	86	95	Hold	30,975	-1.1	-6.2	-5.2	NM	NA	NM	7.9	9.5	8.4	3.3	0.8	1.3	-1.6	-10.0	-9.1
Sterlite Tech. (STETEC)	160	175	Buy	6,359	5.1	6.5	7.9	31.6	NA	20.1	14.7	10.8	9.3	16.1	21.2	20.8	22.9	24.3	24.3
Tata Comm. (TATCOM)	687	650	Hold	19,580	43.3	16.9	23.2	15.9	40.7	29.6	11.2	9.4	8.0	6.1	8.9	11.0	17.2	26.2	29.2

Source: Company, ICICIdirect.com Research

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