

IDEA CELLULAR

Rising competition erodes margins

India Equity Research | Telecom

Idea Cellular (Idea) reported 0.5% QoQ revenue growth (Street's estimate 1.0% decline) to INR81.7bn as voice and data realisations plunged, though offset by volume surge. However, EBITDA margin eroded by 310bps QoQ to 23.0% on higher network and IUC cost. Idea continued to lose data subscribers with 4.1mn drop in Q1FY18. We believe that high leverage is limiting Idea's ability to invest in network and subscriber acquisition at a time when industry is shifting towards data and aggressive operators are focusing on user engagement matrix over revenue. As competitive intensity will continue to keep industry revenue growth under pressure, we expect margins to remain subdued. Maintain 'HOLD' with revised DCF-based target price of INR91 (INR95 earlier).

Competitive pressure leads to realisation headwinds

Proliferation of unlimited bundled offers saw Idea's voice and data realisations declining 5.8% and 53.0% QoQ, respectively, while volumes grew 8.4% and 99.1% QoQ, respectively. With rise in competitive intensity, realisations are expected to remain under pressure. The company's data subscriber base declined by 4.1mn QoQ and 16mn over 3 quarters to 38mn. The silver lining was the 1.6mn addition in mobile broadband subscribers to 26.4mn, although it still remains much below peak of 30.7mn in Q2FY17.

Margins plunge on higher network and interconnect costs

EBITDA dropped 310bps QoQ on 13.4% QoQ increase in access charges, largely due to rise in voice volumes as unlimited offers become mainstream, and 5.9% QoQ increase in network cost. We expect Reliance Jio's VoLTE feature phone launch to unfurl further competitive intensity in voice business, driving voice volume and interconnect costs up, in turn accentuating margin pressure.

Outlook and valuations: Prune estimates; maintain 'HOLD'

We expect competitive intensity in industry to continue unabated as operators fight to garner share of feature phones. We cut our revenue and EBITDA estimates for FY19 by 9.8% and 19.8%, respectively, to factor in lower realisations and margins. At CMP, the stock is trading at 10.2x FY18E and 8.7x FY19E EV/EBITDA. We maintain 'HOLD/SP' with a revised DCF-based target price of INR91 (from INR95) as our EBITDA estimates are lowered and risk-free rate is revised to 7%, from 8%.

Financials		(INR mn)						
Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Revenues	81,665	94,866	(13.9)	81,261	0.5	355,757	329,106	355,551
EBITDA	18,754	30,949	(39.4)	21,199	(11.5)	102,204	79,581	92,249
Adj. Net profits	(8,159)	2,204	NA	(3,277)	NA	(3,995)	(28,822)	(16,507)
Dil. EPS (INR)	-2.5	0.7	NA	-1.0	NA	(1.1)	(8.0)	(4.6)
Diluted P/E (x)						NA	NA	NA
EV/EBITDA (x)						8.3	10.2	8.7

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 96
Target Price	: INR 91
52-week range (INR)	: 124 / 66
Share in issue (mn)	: 3,606.1
M cap (INR bn/USD mn)	: 345 / 5,370
Avg. Daily Vol.BSE/NSE('000)	: 18,239.7

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	42.4	42.4	42.4
MF's, FI's & BK's	8.8	8.8	8.8
FII's	25.9	25.9	25.9
Others	22.9	22.9	22.9
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Telecom Index
1 month	14.4	5.5	11.2
3 months	11.2	7.6	13.1
12 months	(9.0)	15.6	7.1

Sandip Agarwal
 +91 22 6623 3474
 sandip.agarwal@edelweissfin.com

Pranav Kshatriya
 +91 22 4040 7495
 pranav.kshatriya@edelweissfin.com

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Table 1: KPIs

Particulars	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Subscriber base (mn)	162	167	172	175	176	179	185	190	189
Prepaid subscriber propn. (%)	95.6	95.6	95.6	95.5	95.4	95.3	95.5	95.6	95.6
Post-paid churn (%)	3.1	3.2	2.8	2.9	3.0	3.1	3.5	3.6	3.3
Prepaid churn (%)	4.7	5.2	5.4	4.8	5.3	5.5	6.1	6.2	6.8
Blended churn (%)	4.7	5.1	5.3	4.7	5.2	5.4	6.0	6.1	6.7
Operating parameters									
Average revenue per user (INR)	182	175	176	179	181	173	157	142	141
QoQ change (%)	1.7	(3.8)	0.6	1.7	1.1	(4.5)	(9.2)	(9.6)	(0.7)
Average minutes of use per user	408	386	393	387	379	368	385	412	441
QoQ change (%)	2.0	(5.4)	1.8	(1.5)	(2.1)	(2.8)	4.6	7.0	7.0
Average realised rate (INR)	0.445	0.453	0.448	0.464	0.477	0.470	0.407	0.345	0.320
QoQ change (%)	(0.7)	1.8	(1.1)	3.6	2.8	(1.5)	(13.4)	(15.2)	(7.2)
Non-voice revenue (% of ARPU)	26.1	27.9	28.9	28.3	28.2	29.6	27.2	24.9	23.6
Minutes of usage (mn)	195,752	189,452	199,165	201,606	199,307	195,504	209,828	231,372	250,729
Cell-sites (rented- Others)	44,508	46,489	48,249	50,049	50,509	52,121	53,438	53,732	53,807
Cell-sites (rented- Indus)	61,593	63,287	64,721	67,169	67,743	69,618	70,661	69,688	69,238
Owned towers	9,532	9,578	9,640	9,744	9,760	9,772	9,784	9,977	9,984
Tenancy ratio (owned towers)	1.61	1.61	1.64	1.66	1.66	1.68	1.68	1.72	1.77
3G cell sites	33,621	39,867	45,732	50,060	51,231	60,467	66,661	69,202	70,810
Data business									
Total data subscribers (2G+ 3G+4G)('000)	37,156	41,334	41,351	44,019	49,050	54,063	48,583	42,233	38,122
QoQ change (%)	11.2	11.2	0.0	6.5	11.4	10.2	(10.1)	(13.1)	(9.7)
Data as % of service revenue	17.7	19.6	20.2	20.1	20.6	21.9	20.2	18.3	17.1
Total data volume (TB)(2G+ 3G+4G)	62,677	72,013	80,994	82,236	93,127	107,439	108,843	127,014	252,822
QoQ change (%)	15.0	14.9	12.5	1.5	13.2	15.4	1.3	16.7	99.1
Total data volume (TB) (3G+4G)	36,031	43,051	53,600	57,603	66,853	79,861	84,455	104,223	228,805
QoQ change (%)	17.4	19.5	24.5	7.5	16.1	19.5	5.8	23.4	119.5
Data ARMB (INR)	0.246	0.234	0.223	0.229	0.211	0.187	0.159	0.115	0.054
QoQ change (%)	(4.3)	(4.9)	(4.7)	2.7	(7.9)	(11.4)	(15.0)	(27.7)	(53.0)
Data ARPU (INR) (2G+3G+4G)	147	144	145	147	142	130	111	110	119
QoQ change (%)	(2.0)	(2.0)	0.7	1.4	(3.4)	(8.5)	(14.6)	(0.9)	8.2
Data usage per subscriber (MB) (2G+3G+4G)	599	615	653	641	674	694	703	957	2,204
QoQ change (%)	2.2	2.7	6.2	(1.8)	5.1	3.0	1.3	36.1	130.3
Data ARPU for 3G subscriber (INR)	203	202	196	191	174	160	141	138	130
QoQ change (%)	(2.9)	(0.5)	(3.0)	(2.6)	(8.9)	(8.0)	(11.9)	(2.1)	(5.8)
Data usage of Broadband Susubscriber (MB)	778	802	866	857	889	922	971	1,381	3,083
QoQ change (%)	0.1	3.1	8.0	(1.0)	3.7	3.7	5.3	42.2	123.2

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	81,665	94,866	(13.9)	81,261	0.5	355,757	329,106	355,551
Direct costs	46,274	47,623	(2.8)	43,760	5.7	187,788	185,626	194,980
Employee expenses	4,195	4,334	(3.2)	4,367	(3.9)	17,976	16,814	17,455
Other expenses	12,442	11,960	4.0	11,935	4.2	47,788	47,084	50,867
Total expenditure	62,911	63,917	(1.6)	60,062	4.7	253,553	249,525	263,302
EBITDA	18,754	30,949	(39.4)	21,199	(11.5)	102,204	79,581	92,249
Depreciation	20,679	19,192	7.7	19,885	4.0	78,272	83,776	86,750
EBIT	(1,925)	11,757	NA	1,314	NA	23,932	(4,195)	5,499
Other income	152	658	(76.9)	684	(77.8)	3,069	1,552	1,751
Interest	11,691	10,087	15.9	10,050	16.3	39,850	46,155	38,317
Profit before tax	(12,646)	3,362	NA	(7,069)	NA	(8,630)	(45,287)	(27,380)
Provision for taxes	(4,497)	1,158	NA	(3,792)	NA	(4,635)	(16,464)	(10,873)
Associate profit share	818	1,035	(21.0)	983	(16.8)	4,219	3,511	3,687
Reported net profit	(8,159)	2,204	NA	(3,277)	NA	(3,995)	(28,822)	(16,507)
Adjusted Profit	(8,159)	2,204	NA	(3,277)	NA	(3,995)	(28,822)	(16,507)
Diluted EPS (INR)	(2.5)	0.7	NA	(1.0)	NA	(1.1)	(8.0)	(4.6)
Basic EPS (INR)	(2.5)	0.7	NA	(1.0)	NA	(1.2)	(8.7)	(5.0)
Diluted P/E (x)						(86.2)	(12.0)	(20.9)
EV/EBITDA (x)	-	-		-		8.3	10.2	8.7
EV/Revenues (x)	-	-		-		2.4	2.5	2.3

As % of net revenues

Direct costs	56.7	50.2		53.9		52.8	56.4	54.8
Employee cost	5.1	4.6		5.4		5.1	5.1	4.9
Other operating expenses	15.2	12.6		14.7		13.4	14.3	14.3
EBITDA	23.0	32.6		26.1		28.7	24.2	25.9
Adjusted net profit	(10.0)	2.3		(4.0)		(1.1)	(8.8)	(4.6)
Tax rate (% PBT)	35.6	34.4		53.6		53.7	36.4	39.7

Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	329,106	365,243	(9.9)	355,552	394,126	(9.8)	
EBITDA	79,581	104,685	(24.0)	92,249	114,976	(19.8)	
EBITDA Margin	24.2	28.7		25.9	29.2		
Adjusted Profit	(28,822)	(8,530)	NA	(16,507)	(338)	NA	
After Tax							
Net Profit Margin	(8.8)	(2.3)		(4.6)	(0.1)		
Capex	(59,640)	(62,464)	(4.5)	(67,247)	(67,247)	0.0	

Company Description

Idea is India's third largest telecom operator with a subscriber base of ~199mn 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, ~85% 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 the 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
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Company				
Total subscribers (mn)	157.5	175.4	182.6	187.1
growth	9.4	11.4	4.1	2.5
MOU	410.2	397.0	401.0	405.0
RPM	0.5	0.4	0.3	0.3
growth	(2.8)	(8.1)	(29.7)	15.5
ARPU (INR)	186	165	117	137
growth	1.0	(11.1)	(29.0)	16.7
Mobile Biz (New circle)	0.1	-	-	-
Total subscribers	17.6	19.9	22.3	23.8
growth	27.2	13.5	12.0	6.7
MOU	232.8	190.7	194.5	198.4
RPM	0.5	0.6	0.5	0.6
growth	34.3	11.8	(23.3)	18.5
ARPU (INR)	127	116	91	110
growth	(0.1)	(8.4)	(21.8)	20.9
Cost assumptions				
Network opex (% of rev)	25.8	29.3	32.7	31.1
Access charge (% of rev)	13.0	12.0	12.7	12.6
Sub. Acq. Exp (% of rev)	9.3	10.5	11.3	11.3
Interest Cost (% of rev)	34.2	92.1	142.1	8.1
Financial assumptions				
Tax rate as % of PBT	39.8	36.1	33.7	35.0
Capex (INR mn)	(129,118)	(126,319)	(59,640)	(67,247)
Debtor days	11	13	15	17
Dep. (% gross block)	12.4	11.0	11.3	12.2
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	329,106	355,551
Direct costs	181,228	187,788	185,626	194,980
Employee costs	16,119	17,976	16,814	17,455
Other Expenses	42,471	47,788	47,084	50,867
Total operating expenses	239,818	253,553	249,525	263,302
EBITDA	119,676	102,204	79,581	92,249
Depreciation	62,561	78,272	83,776	86,750
EBIT	57,115	23,932	(4,195)	5,499
Add: Other income	2,131.00	3,069.16	1,552.00	1,750.72
Less: Interest Expense	20,962	39,850	46,155	38,317
Profit Before Tax	42,501	(8,630)	(45,287)	(27,380)
Less: Provision for Tax	15,220	(4,635)	(16,464)	(10,873)
Associate profit share	4,217	4,219	3,511	3,687
Reported Profit	27,281	(3,995)	(28,822)	(16,507)
Adjusted Profit	27,281	(3,995)	(28,822)	(16,507)
Shares o /s (mn)	3,601	3,605	3,605	3,605
Adjusted Basic EPS	7.6	(1.1)	(8.0)	(4.6)
Diluted shares o/s (mn)	3,601	3,605	3,605	3,605
Adjusted Diluted EPS	7.6	(1.1)	(8.0)	(4.6)
Adjusted Cash EPS	25.0	20.6	15.2	19.5
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	71.3	75.8	74.1
Materials costs	50.4	52.8	56.4	54.8
Staff costs	4.5	5.1	5.1	4.9
S G & A expenses	11.8	13.4	14.3	14.3
Depreciation	17.4	22.0	25.5	24.4
Interest Expense	5.8	11.2	14.0	10.8
EBITDA margins	33.3	28.7	24.2	25.9
Net Profit margins	7.6	(1.1)	(8.8)	(4.6)

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	13.9	(1.0)	(7.5)	8.0
EBITDA	10.6	(14.6)	(22.1)	15.9
PBT	(13.8)	NA	NA	NA
Adjusted Profit	(14.6)	NA	NA	NA
EPS	(14.6)	NA	NA	NA

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	179,848	160,742
Shareholders' funds	235,505	247,323	215,901	196,795
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	13,218	13,218	13,218
Sources of funds	691,741	830,230	728,808	694,702
Gross Block	507,261	518,061	598,791	666,038
Net Block	211,761	228,443	195,359	189,456
Capital work in progress	60,398	75,351	54,261	54,261
Intangible Assets	440,201	539,250	525,650	512,050
Total Fixed Assets	712,360	843,044	775,270	755,767
Non current investments	43,926	47,309	61,502	61,502
Cash and Equivalents	20,996	49,825	14,461	3,040
Inventories	1,065	588	987	1,067
Sundry Debtors	11,424	13,139	14,810	17,778
Loans & Advances	17	21	4,937	7,111
Other Current Assets	11,467	12,752	12,752	12,752
Current Assets (ex cash)	23,973	26,500	33,486	38,707
Trade payable	32,471	40,777	42,419	44,761
Other Current Liab	77,043	95,671	113,492	119,552
Total Current Liab	109,514	136,448	155,911	164,314
Net Curr Assets-ex cash	(85,541)	(109,948)	(122,425)	(125,606)
Uses of funds	691,741	830,230	728,808	694,702
BVPS (INR)	65.4	68.6	59.9	54.6

Free cash flow				(INR mn)
Year to March	FY16	FY17	FY18E	FY19E
Reported Profit	27,281	(3,995)	(28,822)	(16,507)
Add: Depreciation	62,561	78,272	83,776	86,750
Interest (Net of Tax)	12,628	25,475	30,582	24,906
Others	3,036	12,582	(5,628)	(18,543)
Less: Changes in WC	(3,980)	6,960	12,477	3,181
Operating cash flow	109,486	105,373	67,431	73,425
Less: Capex	(127,802)	(122,085)	(59,640)	(67,247)
Free Cash Flow	(18,315)	(16,712)	7,791	6,178

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Idea Cellular	5,370	(12.0)	(20.9)	10.2	8.7	(12.4)	(8.0)
Bharti Airtel	25,747	58.7	47.9	8.4	7.6	4.2	4.9
Bharti Infratel	11,642	24.6	22.0	10.9	10.1	19.4	21.3
Reliance Communication	1,026	336.5	(434.3)	7.7	6.6	0.3	0.2
Median	-	41.6	0.6	9.3	8.2	2.3	2.5
AVERAGE	-	102.0	(96.3)	9.3	8.3	2.9	4.6

Source: Edelweiss research

Cash flow metrics				
Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	109,486	105,373	67,431	73,425
Investing cash flow	(93,301)	44,445	(28,571)	(17,599)
Financing cash flow	(23,890)	(155,557)	(68,833)	(65,247)
Net cash Flow	(7,704)	(5,739)	(29,973)	(9,421)
Capex	(127,802)	(122,085)	(59,640)	(67,247)
Dividend paid	(2,598)	(2,599)	(2,599)	(2,599)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	11.7	(1.7)	(12.4)	(8.0)
ROACE (%)	10.4	3.8	(0.4)	1.1
Inventory Days	2	2	2	2
Debtors Days	11	13	15	17
Payable Days	48	53	61	60
Cash Conversion Cycle	(36)	(39)	(44)	(42)
Current Ratio	0.4	0.6	0.3	0.3
Gross Debt/EBITDA	3.4	5.4	6.0	5.0
Gross Debt/Equity	1.7	2.2	2.2	2.4
Adjusted Debt/Equity	1.7	2.2	2.2	2.4
Interest Coverage Ratio	2.7	0.6	(0.1)	0.1

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.6	0.5	0.4	0.5
Fixed Asset Turnover	0.7	0.5	0.4	0.5
Equity Turnover	1.5	1.5	1.4	1.7

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	7.6	(1.1)	(8.0)	(4.6)
Y-o-Y growth (%)	(14.6)	(114.6)	621.4	(42.7)
Adjusted Cash EPS (INR)	25.0	20.6	15.2	19.5
Diluted P/E (x)	12.6	(86.2)	(12.0)	(20.9)
P/B (x)	1.5	1.4	1.6	1.8
EV / Sales (x)	1.9	2.4	2.5	2.3
EV / EBITDA (x)	6.1	8.3	10.2	8.7
Dividend Yield (%)	0.6	-	-	-

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
Commonwealth Bank of Australia	11.01	ICICI Prudential Life Insurance	3.12
Vanguard	2.79	Goldman Sachs	1.86
ICICI Prudential Asset Management	1.47	Blackrock	1.27
Tempelton Asset Management	0.88	Dimensional Fund Advisors	0.85
Franklin	0.44	Birla Sun Life Asset Management	0.44

**as per last available data*

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

**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

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

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
26-Jul-17	Bharti Airtel	Competition pangs; <i>Result Update</i>	426	Hold
25-Jul-17	Bharti Infratel	Strong tenancy addition; consolidation pangs; <i>Result Update</i>	400	Hold
22-Jul-17	Telecom	Reliance Jio forays in feature phone segment; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

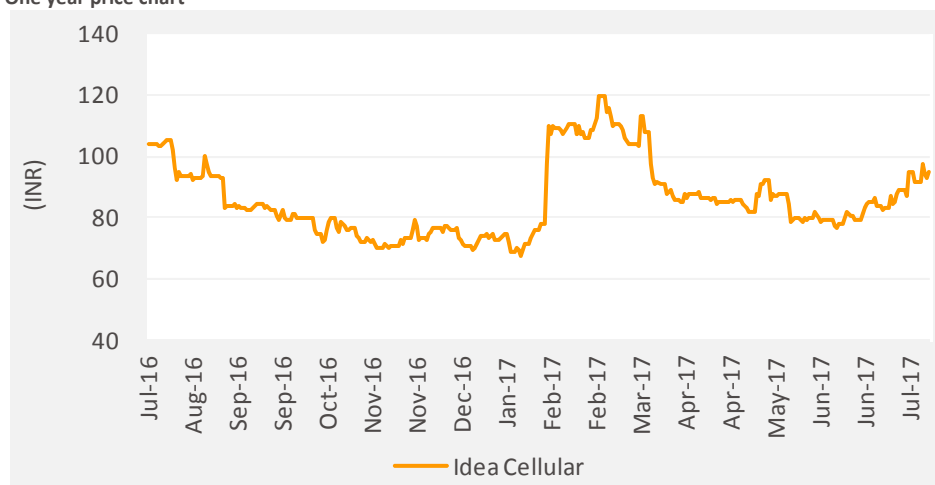
Edelweiss Research Coverage Universe

	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
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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