November 22, 2018

Rating matrix		
Rating	:	Hold
Target	:	₹ 40
Target Period	:	12 months
Potential Upside	:	-3%

What's changed?	
Target	Changed from ₹ 50 to ₹ 40
EPS FY19E	Introducing combined entity EPS at -₹ 10.1
EPS FY20E	Introducing combined entity EPS at -₹ 12.6
Rating	Unchanged

Quarterly performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	7,663.5	7,465.5	2.7	5,889.2	30.1
EBITDA	461.4	1,501.6	-69.3	659.4	-30.0
EBITDA (%)	6.0	20.1	1409 bps	11.2	-518 bps
PAT	-4973.8	(1,106.6)	NM	256.5	NM

Key financials*

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	35,576	28,279	36,835	50,152
EBITDA	10,276	6,048	4,509	10,838
PAT	(400)	(4,168)	(15,109)	(18,873)
Diluted EPS (₹)	(0.3)	(2.8)	(10.1)	(12.6)

Valuation summary

(x)	FY17	FY18	FY19E	FY20E
P/E	NA	NA	NA	NA
Target P/E	NA	NA	NA	NA
EV / EBITDA	8.2	14.3	30.7	13.6
P/BV	0.6	0.7	0.7	0.9
RoNW (%)	-1.6	-15.3	-21.3	-28.9
RoCE (%)	3.3	(2.3)	(3.6)	(3.1)

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	34,421.3
Total Debt (₹ Crore)	126,059.7
Cash & Investments (₹ Crore)	13,553.1
EV (₹ Crore)	146,927.9
52 week H/L	118 / 33
Equity capital (₹ crore)	8,735.1
Face value (₹)	10.0

Price performance

	1M	3M	6M	12M
Bharti Airtel	2.4	-19.4	-22.9	-40.3
RCOM	16.2	-34.0	-1.0	11.6
Idea	13.4	-22.6	-20.9	-56.5

Research Analysts

Bhupendra Tiwary
bhupendra.tiwary@icicisecurities.com

Sameer Pardikar
sameer.pardikar@icicisecurities.com

Vodafone Idea (IDECEL) ₹ 41

Capital raising to ensure survival...for now!!!

We attended the analyst meet of Vodafone Idea wherein the management outlined its strategy in terms of network integration & expansion, product segregation & pricing, capital raising and overall synergy fructification timelines. Among noteworthy highlights of the meet was the management's reiteration that overall synergy benefits of ₹ 14,0000 crore (opex ₹ 8,400 crore and remaining capex) would be achieved now within 18-24 months vs. four year's guidance earlier. Furthermore, the company also laid out equity capital raising plans up to ₹ 25,000 crore, with promoter shareholders indicating support up to ₹ 18,250 crore (Vodafone - ₹ 11,000 crore & Idea - ₹ 7250 crore). Overall capex is pegged at ₹ 27,000 crore (plus ~₹ 6200 crore benefits from reuse of equipment) over FY19 and FY20. With a major driver of earnings recovery being market repair (pricing uptick), which is still not visible, we maintain HOLD rating.

Other takeaways from analyst meet...

- **Synergy fructification to be expedited:** The overall synergy is now expected by FY21 vs. FY23, as guided earlier. In terms of breakup of synergy, opex synergy of ₹ 8,400 crore would entail network & IT costs savings of ₹ 5500 crore, S&D expenditure savings of ₹ 1200 crore and general & administration expenditure savings of ₹ 1700 crore. The capex savings of ₹ 5600 crore would be led by spectrum consolidation, procurement scale benefits & other efficiencies
- **ARPU improvement and operation integration:** The company indicated that it has limited the prepaid recharge plans to five pan-India plans vs. 100+ earlier. Furthermore, with push towards minimum recharge plans, simplified post-paid bundled plans and enterprise business it aims to push for revenue recovery. The company envisages circle office infra integration, S&D and call centre rationalisation to drive synergy and cut costs. We highlight that major trigger for industry ARPU recovery is overall pricing uptick by Jio, which is still not visible
- **Network integration:** Apart from 66000 tower location exits (synergy benefits of ₹ 150 crore/month), the company guided for 22000 locations further exits, sites optimisation and IT consolidation to save network costs. As per the company, 4G coverage is aimed to reach 80% by March, 2020 vs. ~50% currently. It aims to leverage on dynamic spectrum refarming (utilisation of LTE on 900 MHz without impacting 2G voice), Ultrabroadband (one box to serve two bands to save opex & capex) and massive MIMO beamforming (3x capacity for congested locations) to expand and improve network capacity
- **Fund raising & deleveraging:** It is looking to monetise 156000 km of fibre asset (roughly valued at ₹ 0.1 crore/km) & Indus stake sale (~₹ 5000 crore) for deleveraging. We note that proposed capital raising coupled with fibre and tower sale would only be supporting survival for a couple of years and industry repair holds key for sustainability

Sustainable earnings revival hinges on pricing recovery; maintain HOLD

While the merger is largely complete and expedited synergy remains a silver lining, the competitive scenario is far from over. Notwithstanding fund raising & fibre and tower asset sale, industry repair remains a key variable for recovery. We lower our ARPU and margin estimates and bake in proposed ₹ 25000 crore equity raising (Q4FY19) in our estimates. We maintain **HOLD** rating and lower our target price to ₹ 40 on a DCF based methodology. We would monitor the industry development closely and turn constructive only when we witness signs of a pricing recovery.

Q2FY19 Earnings Summary

Vodafone Idea reported their first quarterly numbers post the merger between Vodafone India and Idea Cellular (effective on August 31, 2018). **Q2FY19 results include results for Idea Cellular up to August 30, 2018 and that of Vodafone Idea from August 31, 2018 to September 30, 2018. Hence, they are not comparable with the earlier period figures as well as with our estimates. Our analysis is based on pro-forma numbers (assuming full quarter of merger and comparability) given by the company effective from April 1, 2018.**

- On a reported basis (one month of Vodafone Idea consolidation), the company reported revenues of ₹ 7664 crore, EBITDA of ₹ 461.4 crore (impacted by revenues pressure) and loss of ₹ 4974 crore, also impacted by one-off of ₹ 566 crore (net integration costs)
- On a pro forma basis, revenues came in at ₹ 12,023.8 crore, a decline of -7.1% QoQ, on account of **4.7% QoQ decline in ARPU to ₹ 88 (on continued customer migration to lower ARPU plans), coupled with net loss of 13 mn customers during the quarter. The overall active subscriber base was at 40.3 crore**
- EBITDA came in at ₹ 977.8 crore, a decline of 28.7% QoQ due to continued revenue pressure and one offs. EBITDA margins declined 250 bps QoQ to 8.1%
- Net debt was at ~₹ 1.12 lakh crore while combined entity capex for the quarter was at ~₹ 3300 crore

Variance analysis

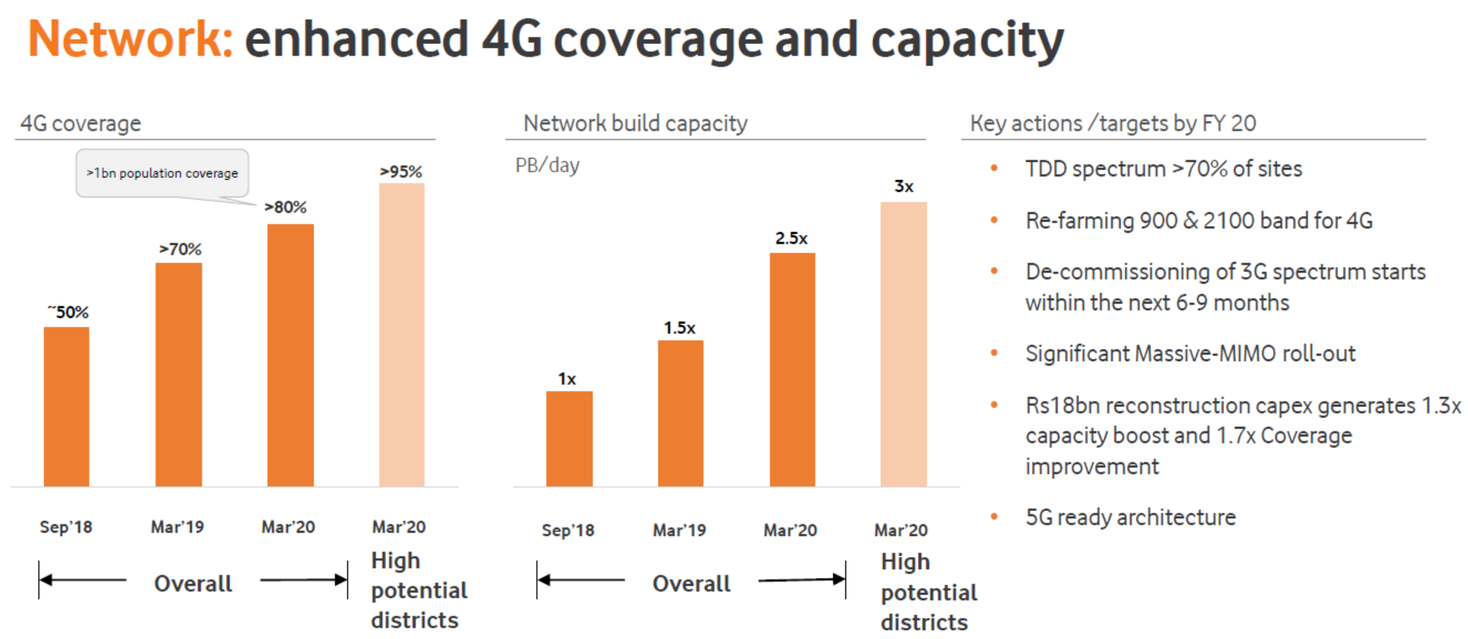
	Q2FY19	Q2FY18	Q1FY19	YoY (%)	QoQ (%)
Revenue	7,663.5	7,465.5	5,889.2	NA	NA
Other Income	215.1	45.4	141.4	NA	NA
				NA	NA
Employee Expenses	493.9	439.8	392.0	NA	NA
Marketing Expenses	910.5	885.4	623.6	NA	NA
Network operating expenditure	3,597.6	2,536.1	2,642.7	NA	NA
License and WPC Charges	799.0	768.9	596.1	NA	NA
Roaming & Access Charges	947.8	1,119.8	774.4	NA	NA
Total Operating Cost	6,963.9	5,795.4	5,170.2	NA	NA
EBITDA	461.4	1,501.6	659.4	NA	NA
EBITDA Margin (%)	6.0	20.1	11.2	NA	NA
Depreciation	3,005.9	2,114.3	2,092.4	NA	NA
Interest	2,166.2	1,228.3	1,525.8	NA	NA
Total Tax	-45.3	-604.7	350.4	NA	NA
PAT	-4,973.8	-1,106.6	256.5	NA	NA
Key Metrics					
Subscribers (Million)	422.3	182.4	187.9	131.5	124.7
ARPU (Rs)	88	132	100	-33.3	-12.0
MoU (Rs)	798.4	459.0	609.0	73.9	31.1
Voice ARPM (Rs)	6.4	21.8	12.0	-70.6	-46.5

Source: Company, ICICI Direct Research

Analyst meet highlights

The management indicated that current 4G coverage was at 50% while they envisage >80% 4G coverage by March 2020 while the same for high potential districts of Quad A would be ~95%. They also envisage 2.5x increase in data network capacity by March 2020 and 3x for high potential districts.

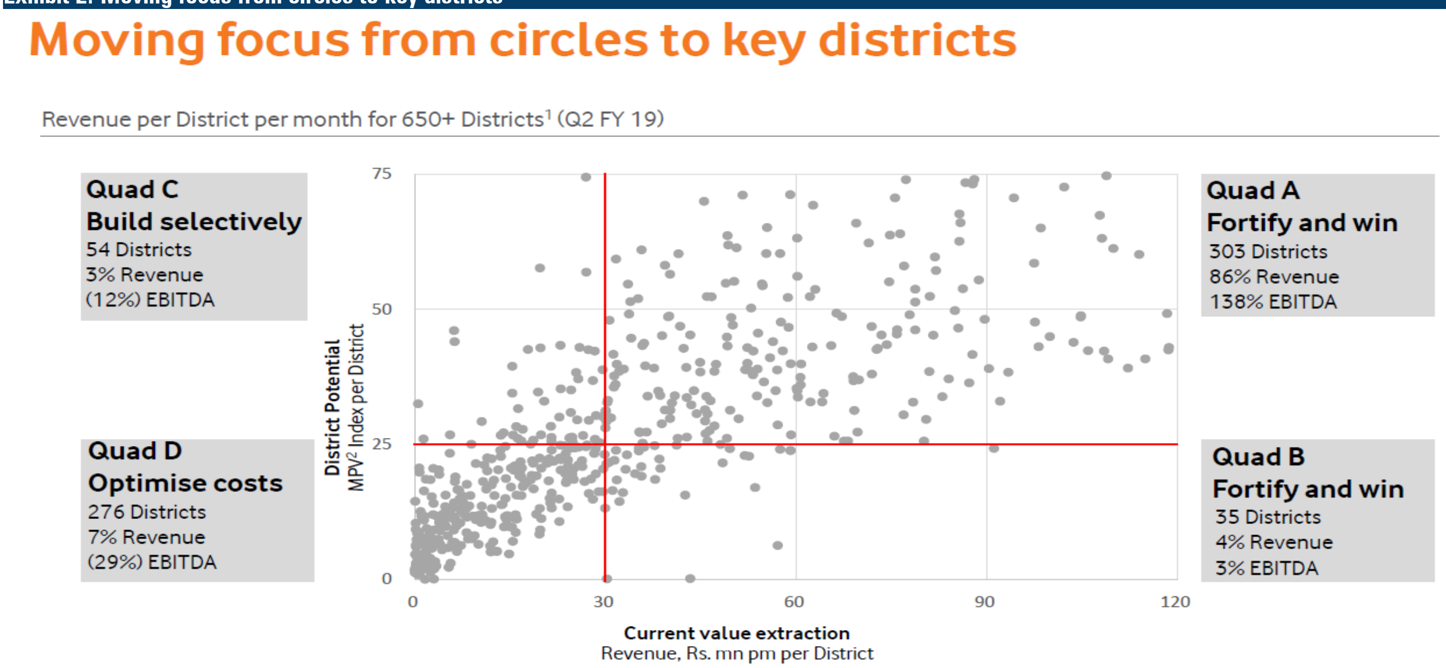
Exhibit 1: 4G coverage is expected to reach ~80% by March 2020 from current ~50%



Source: Company, ICICI Direct Research

The company indicated that it has now shifted focus from circles to key districts to win over competition. The Quad A, which is a set of highest revenue, margin contributor districts would now be expanded in terms of coverage and capacity while Quad D, which offers miniscule revenues, losses, would now witness sites rationalisation and cost cuts.

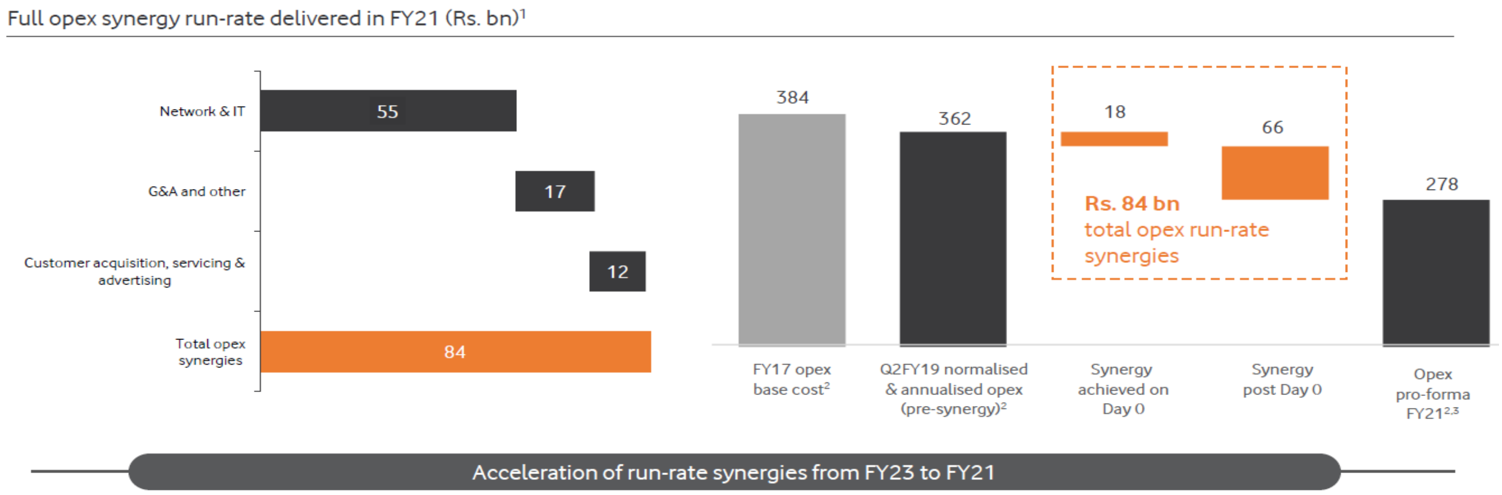
Exhibit 2: Moving focus from circles to key districts



Source: Company, ICICI Direct Research

The overall synergy is now expected by FY21 vs. FY23, as guided earlier. In terms of breakup of synergy, opex synergy of ₹ 8400 crore would entail network & IT costs savings of ₹ 5500 crore, S&D expenditure savings of ₹ 1200 crore and general & administration expenditure savings of ₹ 17000 crore. The capex savings of ₹ 5600 crore would be led by spectrum consolidation, procurement scale benefits & other efficiencies.

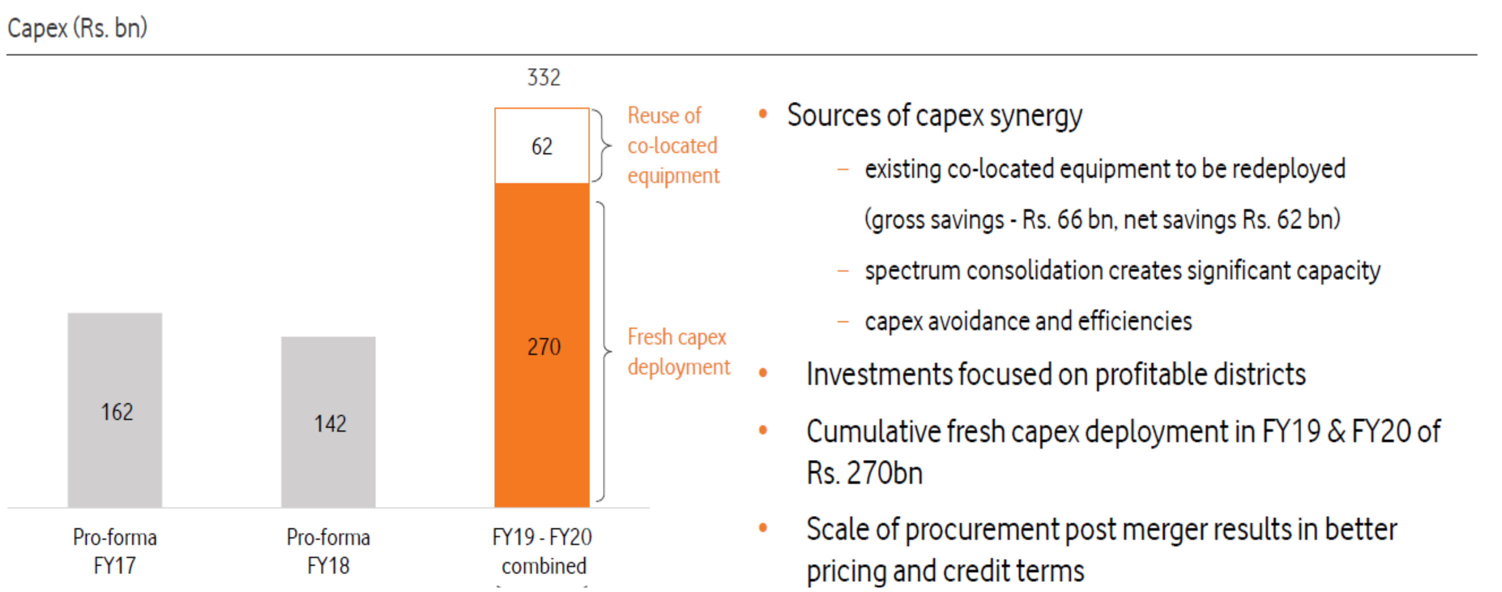
Exhibit 3: Opex benefits of ₹8,400 crore , to be driven by network& IT



Source: Company, ICICI Direct Research

Overall capex is pegged at ₹ 27000 crore (plus ~₹ 6200 crore benefits from reuse of equipment) over FY19 and FY20.

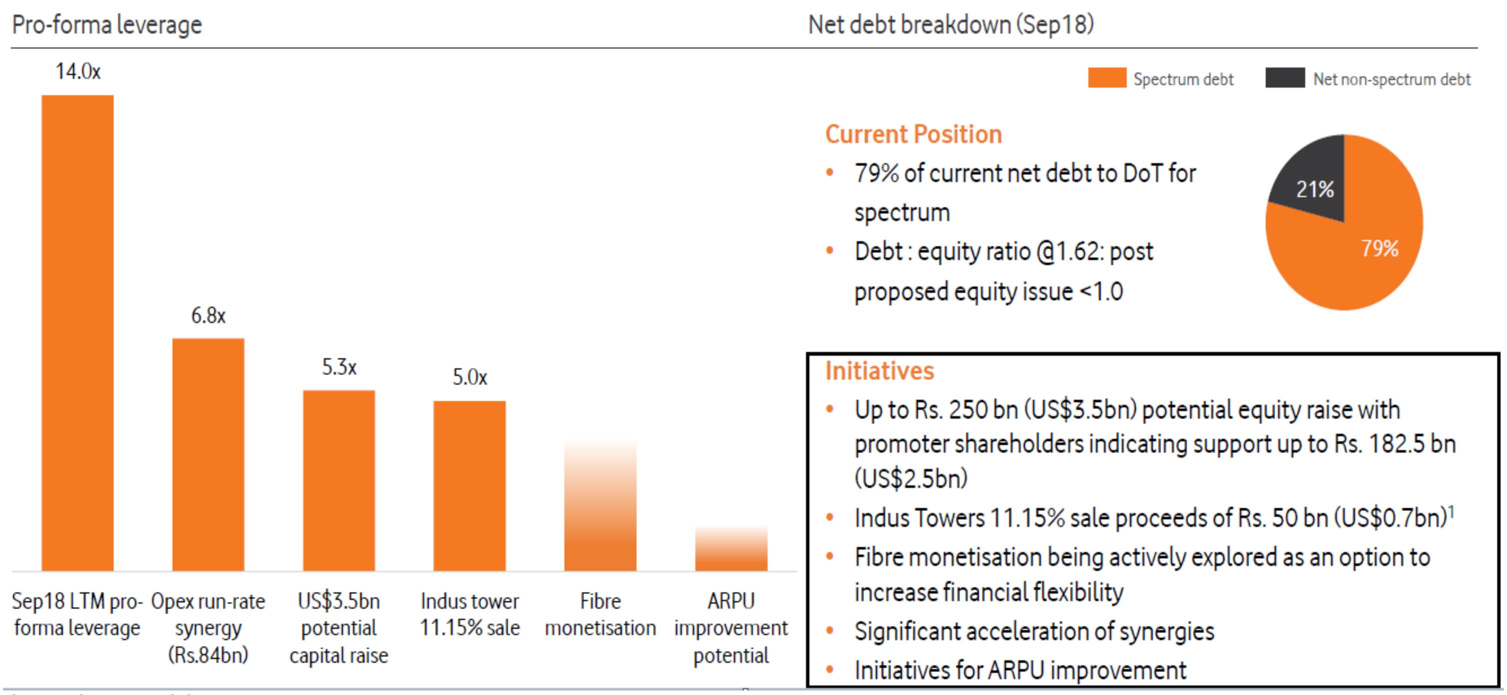
Exhibit 4: While capex benefits to be driven by reuse of co-located equipment



Source: Company, ICICI Direct Research

The management indicated that they are well funded for the next two to three years on account of initiatives such as i) up to ₹ 25,000 crore proposed equity raising (around ₹ 18,250 crore to be contributed by promoters) ii) monetisation of fibre assets 156,000 km iii) monetisation of 11.16% stake in Indus Tower

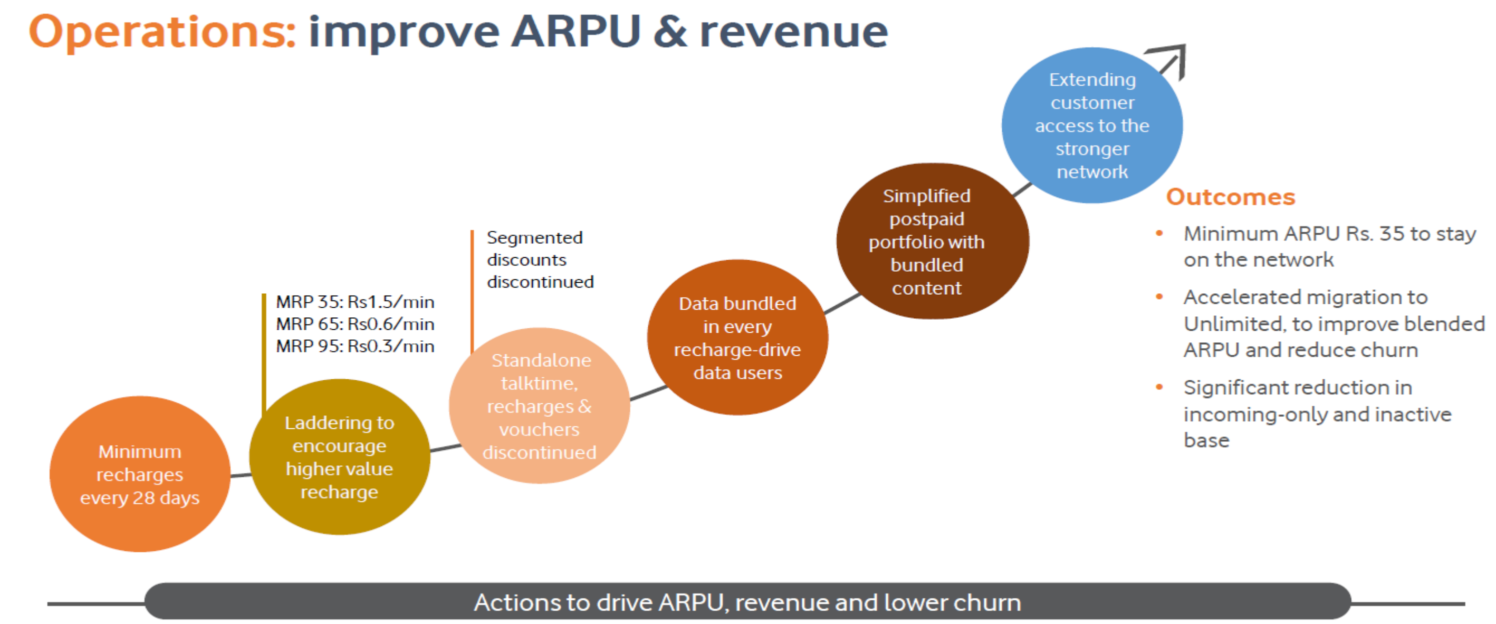
Exhibit 5: Company well-funded for next two to three years on proposed initiatives like capital infusion from promoters, monetisation of fibre assets & stake in Indus



Source: Company, ICICI Direct Research

The company indicated that it has limited the prepaid recharge plans to five pan-India plans vs. 100+ earlier. Furthermore, with push towards minimum recharge plans, simplified post-paid bundled plans and enterprise business it aims to push for revenue recovery. The management indicated they have introduced minimum an ARPU plan, which helps in significant reduction in incoming only and inactive base. They indicated that they have also simplified post-paid portfolio with bundled content, which is expected to reduce churn in the segment and is expected to arrest further ARPU downgrading **The company envisages circle office infra integration, S&D and call centre rationalisation to drive synergy and cut costs. We highlight that a major trigger for industry ARPU recovery is overall pricing uptick by Jio, which is still not visible.**

Exhibit 6: Initiatives such as minimum ARPU plans, accelerated migration to unlimited plans to improve ARPU



Source: Company, ICICI Direct Research

Valuation

While the merger is largely complete and expedited synergy remains a silver lining, the competitive scenario is far from over. Notwithstanding fund raising and fibre & tower asset sale, industry repair remains a key variable for recovery. We lower our ARPU and margins estimates and bake in proposed ₹ 25000 crore equity raising (Q4FY19) in our estimates. We maintain **HOLD** rating and lower our target price to ₹ 40 on a DCF based methodology. We would monitor the industry development closely and turn constructive only when we witness signs of a pricing recovery.

Exhibit 7: DCF assumptions

Particulars	Amount
WACC	10.2%
Revenue CAGR over FY20 - FY25E	12.0%
PV of Cash Flow Till Terminal Year	43,233.8
Terminal Growth	4.0%
Present Value of terminal cash flow	120,585.9
PV of firm	163,819.7
Less: Net Debt	103,984.9
Total present value of the Equity	59,834.9
Number of Equity Shares outstanding	1,498.5
DCF - Target price (₹)	40

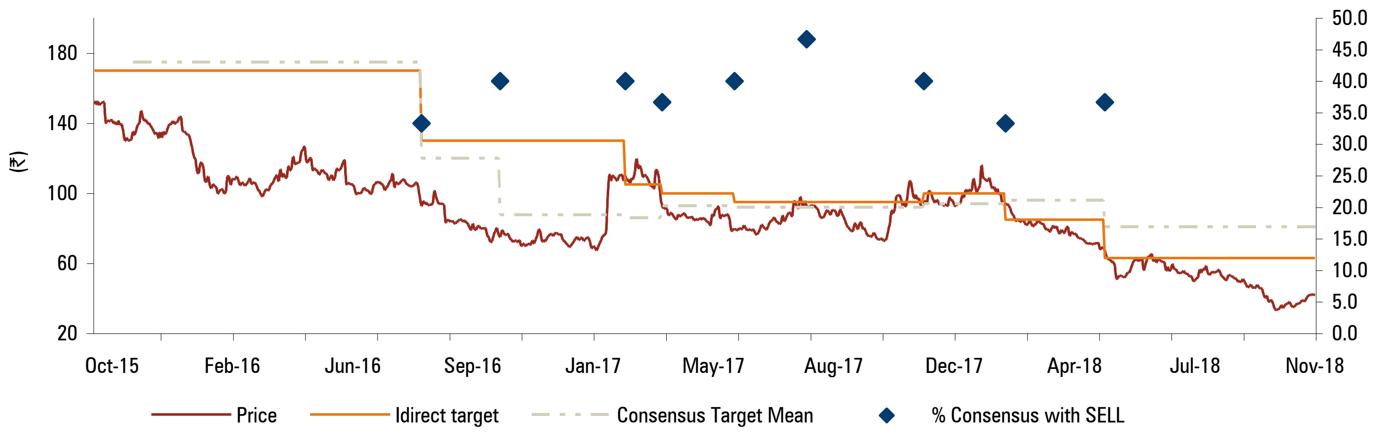
Source: Company, ICICI Direct Research

Exhibit 8: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	35,575.7	(1.1)	(1.1)	NA	(39.6)	8.5	(1.6)	3.3
FY18	28,278.9	-20.5	-9.6	NA	-4.6	14.7	-15.3	-2.3
FY19E	36,835.0	NA	(10.1)	NA	(4.4)	31.2	(21.3)	(3.6)
FY20E	50,151.9	NA	-12.6	NA	-3.5	13.8	-28.9	-3.1

Source: Company, ICICI Direct Research

Recommendation history vs. consensus estimates



Source: Bloomberg, Company, ICICI Direct 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 paisa in FY13 to 44.9 paisa by Q3FY14
Feb-14	Spectrum auctions held in the 900 and1800 MHz band while Idea purchases spectrum in 11 circles at an outlay of ₹ 10716 crore
Jun-14	Idea Cellular succesfully 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 alloted 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 AP, including Telangana, Karnataka, Kerala, and Tamil Nadu. Further, Idea on 14 January, 2016 extends its 4G services to telecom circles of MP and Chhattisgarh, Punjab and Haryana, and now cover 183 towns across seven circles for LTE
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
Mar-17	Announces merger with Vodafone India

Source: Company, ICICI Direct Research

Top 10 Shareholders (Q1FY19)

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Aditya Birla Group	31-Mar-18	28.4	1,236.9	0.0
2	Axiata Group Bhd	31-Mar-18	16.3	712.0	0.0
3	Birla TMT Holdings Pvt. Ltd.	31-Mar-18	6.5	283.8	0.0
4	Stewart Investors	30-Apr-18	3.9	167.9	-2.3
5	Elaine Investments Pte Ltd	31-Mar-18	3.7	163.2	163.2
6	Oriana Investments Pte Ltd	31-Mar-18	3.7	163.2	163.2
7	ICICI Prudential Life Insurance Company Ltd.	31-Mar-18	3.5	152.9	34.3
8	First State Investments (Singapore)	31-Mar-18	3.0	128.7	-9.9
9	Franklin Advisers, Inc.	31-Mar-18	2.7	117.2	0.0
10	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-May-18	2.6	114.2	7.6

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	42.38	42.38	42.56	32.89	71.33
FII	26.52	27.23	26.72	26.00	12.35
DII	8.16	7.84	6.71	11.84	3.84
Others	22.94	22.55	24.01	29.27	12.48

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Elaine Investments Pte Ltd	+190.13M	+163.20M	First State Investments (Singapore)	-11.58M	-9.94M
Oriana Investments Pte Ltd	+190.13M	+163.20M	Reliance Nippon Life Asset Management Limited	-4.71M	-5.44M
ICICI Prudential Life Insurance Company Ltd.	+40.01M	+34.34M	BNP Paribas Asset Management Asia Limited	-6.04M	-4.12M
Templeton Asset Management Ltd.	+39.67M	+34.05M	Wellington Management Company, LLP	-5.82M	-3.43M
Goldman Sachs Asset Management International	+27.20M	+23.35M	BlackRock Institutional Trust Company, N.A.	-2.19M	-2.53M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	35575.7	28278.9	36835.0	50151.9
Growth (%)	-1.1	-20.5	NA	NA
Employee Expenses	1,797.6	1,543.0	2,515.7	3,510.6
Roaming & Access Charges	4,275.4	3,535.8	4,283.1	5,516.7
Network operating expenditure	10,665.3	9,733.4	14,837.1	16,289.2
License and WPC Charges	4,051.5	2,866.7	3,839.7	5,266.0
SG&A Expenses	3,485.9	3,609.0	4,328.0	5,710.0
Other Costs	1,023.7	943.5	2,522.9	3,021.1
Total Operating Expenditure	25299.4	22231.4	32326.4	39313.6
EBITDA	10276.3	6047.5	4508.6	10838.4
Growth (%)	-21.1	-41.2	NA	NA
Depreciation	7827.2	8409.1	13514.8	18155.0
Interest	4041.1	4813.0	9569.5	12606.0
Other Income	306.9	353.0	786.5	880.0
Non Operating Expenses	0.0	0.0	0.0	0.0
PBT	-1285.1	-6821.6	-17789.2	-19042.6
MI/ Profit from associates	-421.9	-322.4	-186.7	-169.2
Total Tax	-463.5	-2331.0	305.1	0.0
PAT	-399.7	-4168.2	-17907.6	-18873.4
Growth (%)	NM	NM	NM	NM
EPS (₹)	-1.1	-9.6	-10.1	-12.6

Source: Company, ICICI Direct Research

**FY18, FY19 and FY20 numbers are not comparable owing to merger. FY18 is pure Idea financial, while FY20 is merged entity's first full year numbers.*

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	-399.7	-4,168.2	-15,108.9	-18,873.4
Add: Depreciation	7,827.2	8,409.1	13,514.8	18,155.0
Add: Interest paid	4,041.1	4,813.0	9,569.5	12,606.0
(Inc)/dec in Current Assets	(255.9)	(1,152.2)	(7,940.7)	(289.6)
Inc/(dec) in CL and Provisions	2,732.2	-4,128.9	17,171.1	4,753.3
Others	0.0	0.0	0.0	0.0
CF from operating activities	13,944.9	3,772.8	17,205.8	16,351.3
(Inc)/dec in Investments	-2,907.4	-912.2	-6,308.0	3,000.0
(Inc)/dec in Fixed Assets	-20,895.6	-7,388.0	-124,654.1	-13,000.0
Others	-2,881.8	-342.4	-6,866.0	0.0
CF from investing activities	-26,684.8	-8,642.6	-137,828.1	-10,000.0
Issue/(Buy back) of Equity	4.8	754.0	10,625.8	0.0
Inc/(dec) in loan funds	14,513.2	2,930.7	68,074.5	0.0
Dividend paid & dividend tax	0.0	0.0	0.0	0.0
Interest Paid	-4,041.1	-4,813.0	-9,569.5	-12,606.0
Others	1,576.6	5,944.4	61,369.7	0.0
CF from financing activities	12,053.5	4,816.1	130,500.5	-12,606.0
Net Cash flow	-686.4	-53.7	9,878.2	-6,254.7
Opening Cash	769.1	82.7	29.0	9,907.1
Closing Cash	82.7	29.0	9,907.1	3,652.4

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	3,605.3	4,359.3	14,985.1	14,985.1
Reserve and Surplus	21,126.9	22,903.2	69,163.8	50,290.4
Others	0.0	0.0	0.0	0.0
Total Shareholders funds	24,732.2	27,262.5	84,148.9	65,275.5
Total Debt	55,054.5	57,985.2	126,059.7	126,059.7
Deferred Tax Liability	1,358.7	65.9	41.4	41.4
Others	1,530.2	3,363.5	15,111.0	15,111.0
Total Liabilities	82,675.6	88,677.1	225,361.0	206,487.6
Assets				
Gross Block	118,168.6	129,506.4	295,312.3	308,312.3
Less: Acc Depreciation	41,405.4	49,814.5	113,143.8	131,298.8
Net Block	76,763.2	79,691.9	182,168.5	177,013.5
Capital WIP	7,535.1	3,585.3	12,248.0	12,248.0
Total Fixed Assets	84,298.3	83,277.2	194,416.5	189,261.5
Investments	1,478.5	1,660.1	1,430.8	1,430.8
Inventory	58.8	36.7	5.0	6.9
Debtors	1,313.9	887.4	4,036.7	4,122.1
Loans and Advances	44.6	35.8	128.9	175.5
Other Current Assets	1,231.2	1,791.5	7,367.0	7,522.8
Cash	82.7	29.1	9,907.1	3,652.4
Total Current Assets	2,731.2	2,780.5	21,444.8	15,479.7
Creditors	4,077.7	3,547.9	11,101.0	12,366.2
Provisions	404.1	333.1	499.5	500.8
Total Current Liabilities	4,481.8	3,881.0	11,600.5	12,867.1
Net Current Assets	-1,750.6	-1,100.5	9,844.3	2,612.6
Other Non Current Assets	3,255.9	2,197.7	16,310.5	16,310.5
Application of Funds	82,675.6	88,677.1	225,361.0	206,487.6

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	-1.1	-9.6	-10.1	-12.6
Cash EPS	20.6	9.7	-1.1	-0.5
BV	68.6	62.5	56.2	43.6
DPS	0.0	0.0	0.0	0.0
Cash Per Share	0.2	0.1	6.6	2.4
Operating Ratios				
EBITDA Margin (%)	28.9	21.4	12.2	21.6
EBIT Margin (%)	6.9	-8.4	-24.5	-14.6
PAT Margin (%)	-1.1	-14.7	-48.6	-37.6
Inventory days	0.6	0.5	0.1	0.1
Debtor days	13.5	11.5	40.0	30.0
Creditor days	41.8	45.8	110.0	90.0
Return Ratios (%)				
RoE	-1.6	-15.3	-21.3	-28.9
RoCE	3.3	-2.3	-3.6	-3.1
RoIC	3.7	-3.2	-5.4	-4.6
Valuation Ratios (x)				
P/E	-39.6	-4.6	-4.4	-3.5
EV / EBITDA	8.5	14.7	31.2	13.8
EV / Net Sales	2.4	3.2	3.8	3.0
Market Cap / Sales	1.0	1.3	1.0	0.7
Price to Book Value	0.6	0.7	0.8	1.0
Solvency Ratios				
Debt/EBITDA	5.4	9.6	28.0	11.6
Debt / Equity	2.2	2.1	1.5	1.9
Current Ratio	0.2	0.3	0.4	0.4
Quick Ratio	0.2	0.3	0.4	0.4

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Telecom)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18	EPS (₹) FY19E	EPS (₹) FY20E	P/E (x) FY18	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18	RoE (%) FY19E	RoE (%) FY20E
Bharti Airtel (BHAAIR)	328	380	Buy	131,055	2.3	-2.8	-4.8	144.6	NM	NM	7.7	9.6	8.3	5.6	2.2	3.7	2.4	-1.0	-3.2
Bharti Infratel (BHAINF)	258	285	Hold	47,738	13.5	12.0	12.5	19.1	21.6	20.7	6.7	6.6	7.7	21.1	19.1	19.6	14.7	14.1	15.7
Idea Cellular (IDECEL)	41	40	Hold	40,574	-9.6	-9.6	-11.9	NM	NM	NM	11.6	12.5	27.1	-2.3	-5.7	-3.7	-15.3	-39.5	-37.1
Sterlite Tech. (STETEC)	341	400	Buy	13,682	8.3	13.3	16.0	40.9	25.6	21.4	19.4	20.9	13.6	29.7	27.0	27.0	28.7	33.1	29.5
Tata Comm. (TATCOM)	528	540	Hold	15,035	-11.5	0.2	8.6	NM	###	61.3	9.8	10.1	9.3	5.9	4.3	6.4	9.4	2.2	87.8

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct Research endeavours to provide objective opinions and recommendations. ICICI Direct Research assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

We /I, Bhupendra Tiwary MBA, Sameer Pardikar, MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock Broker. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Bhupendra Tiwary MBA, Sameer Pardikar, MBA, Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Bhupendra Tiwary MBA, Sameer Pardikar, MBA, Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.