

# Vodafone Idea

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
37,319	11,222
<b>Bloomberg</b>	<b>IDEA IN</b>
Equity Shares (m)	8,735
M.Cap.(INRb)/(USDb)	402.3 / 5.7
52-Week Range (INR)	40 / 13
1, 6, 12 Rel. Per (%)	-9/-43/-60
12M Avg Val (INR M)	1111
Free float (%)	28.7

**CMP: INR14**
**TP: INR20 (+43%)**
**Buy**

## Bumpy road ahead

**Revenue changes its course:** A stellar jump in APRU helped clear the major hurdle of a continued downtrend in revenue, which stood flat sequentially at INR117.8b (in-line) in 4QFY19. This, coupled with INR2b one-offs, led to strong EBITDA growth of 57% QoQ to INR17.9b. Interestingly, even adjusted for one-offs, EBITDA was up by a robust 39% QoQ (13% beat), primarily led by merger synergies (margin expanded 380bp to 13.5%). Adjusted for exceptional item and the DTA impact, IDEA reported a net loss of INR40.6b (v/s INR62.1b in 3Q).

**Concall highlights:** (1) IDEA guided for capex of INR168b for FY20. (2) Net IUC EBITDA contribution stands at slightly over INR4b, which is likely to reduce to nil by 4QFY20. (3) Subscriber churn due to minimum recharge plans is still not over. (4) Network integration across circles will complete by Jun'20.

**Liquidity support to last for another 4-6 quarters:** IDEA is surprising with faster-than-expected achievement of merger synergies (totaling INR51b by now). However, even after assuming additional INR1.5-2b quarterly synergy gains, we estimate EBITDA to reach INR85b by FY20, which is still significantly low compared to its ballooning net debt position of INR1,019b (FY20). We have factored in price increase in FY21, and thus, estimate EBITDA of INR132b for that year. This, coupled with INR250b rights issue and an estimated gain of INR50-60b from the Indus stake sale (not yet factored in the model), should help IDEA to service its bloated net debt, providing respite for additional 4-6 quarters, beyond which price increase will be key.

**Valuation view:** Leverage is likely to remain high over the near term, but IDEA's proven execution capabilities, strong promoter backing and strong operating leverage opportunity from any ARPU increase should come handy, in our view. We maintain our **Buy** rating with a TP of INR20, ascribing 13x to FY21E EBITDA.

### Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	370.9	467.3	488.7
EBITDA	40.4	85.2	132.5
Adj PAT	-161.5	-147.2	-136.4
EPS (INR)	-18.5	-5.1	-4.7
Gr. (%)	NM	NM	NM
BV/Sh (INR)	68.3	24.3	19.6
RoE (%)	-37.2	-22.7	-21.6
RoCE (%)	-6.7	-3.8	-2.1
P/E (x)	NM	NM	NM
P/BV (x)	0.2	0.6	0.7
EV/EBITDA (x)	27.7	16.8	12.2

**Estimate change**

**TP change**

**Rating change**


### Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY18				FY19				FY18	FY19*	4Q FY19E*	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q*	3Q*	4Q*				
<b>Revenue</b>	<b>81,665</b>	<b>74,655</b>	<b>65,096</b>	<b>61,373</b>	<b>58,892</b>	<b>76,635</b>	<b>1,17,648</b>	<b>1,17,750</b>	<b>2,82,789</b>	<b>3,70,925</b>	<b>1,17,365</b>	<b>0.3</b>
YoY Change (%)	-13.9	-19.7	-24.9	-24.5	-27.9	2.7	80.7	91.9	-20.5	31.2	91.2	
Total Expenditure	62,911	59,639	52,862	46,902	52,298	72,021	1,06,279	99,897	2,22,314	3,30,495	1,03,292	-3.3
<b>EBITDA</b>	<b>18,754</b>	<b>15,016</b>	<b>12,234</b>	<b>14,471</b>	<b>6,594</b>	<b>4,614</b>	<b>11,369</b>	<b>17,853</b>	<b>60,475</b>	<b>40,430</b>	<b>14,073</b>	<b>26.9</b>
Margins (%)	23.0	20.1	18.8	23.6	11.2	6.0	9.7	15.2	21.4	10.9	12.0	317
Depreciation	20,679	21,143	21,415	20,854	20,924	30,059	47,734	46,639	84,091	1,45,356	48,126	-3.1
Share in Profits from Asso.	818	843	818	745	598	423	398	549	3,224	1,968	406	35.2
Net Finance Costs	11,539	11,829	11,490	9,742	13,844	19,511	26,068	27,894	44,600	87,317	27,159	2.7
<b>PBT before EO expense</b>	<b>-12,646</b>	<b>-17,113</b>	<b>-19,853</b>	<b>-15,380</b>	<b>-27,576</b>	<b>-44,533</b>	<b>-62,035</b>	<b>-56,131</b>	<b>-64,992</b>	<b>-1,90,275</b>	<b>-60,806</b>	<b>NM</b>
Extra-Ord expense	0	0	0	0	-33,645	5,658	8,008	11,458	0	-8,521	0	
<b>PBT</b>	<b>-12,646</b>	<b>-17,113</b>	<b>-19,853</b>	<b>-15,380</b>	<b>6,069</b>	<b>-50,191</b>	<b>-70,043</b>	<b>-67,589</b>	<b>-64,992</b>	<b>-1,81,754</b>	<b>-60,806</b>	<b>NM</b>
Tax	-4,497	-6,047	-7,008	-5,758	3,504	-453	-19,997	-18,770	-23,310	-35,715	-19,601	NM
Rate (%)	35.6	35.3	35.3	37.4	57.7	0.9	28.5	27.8	35.9	19.7	32.2	
<b>Reported PAT</b>	<b>-8,149</b>	<b>-11,066</b>	<b>-12,845</b>	<b>-9,622</b>	<b>2,565</b>	<b>-49,738</b>	<b>-50,046</b>	<b>-48,819</b>	<b>-41,682</b>	<b>-1,46,039</b>	<b>-41,205</b>	<b>NM</b>
<b>Adj. PAT</b>	<b>-8,149</b>	<b>-11,066</b>	<b>-12,845</b>	<b>-9,622</b>	<b>-14,333</b>	<b>-44,530</b>	<b>-62,050</b>	<b>-40,569</b>	<b>-41,682</b>	<b>-1,61,482</b>	<b>-41,205</b>	<b>NM</b>
YoY Change (%)	NM	NM	NM	NM	NM	NM	NM	NM	Nm	NM	NM	
Margins (%)	-10.0	-14.8	-19.7	-15.7	-24.3	-58.1	-52.7	-34.5	-14.7	-43.5	-35.1	

\*represents Vodafone Idea merged entity performance, hence, not comparable on YoY basis

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### Other key highlights

- Subscriber base declined 14% QoQ (-53m) to 334.1m (5% miss) due to the implementation of minimum recharge vouchers.
- Data subscriber base was flat QoQ, while broadband subscribers increased 2.3m to 110.2m (33% broadband penetration). 4G subscribers adds stood at 5.4m to 80.7m (24% penetration).
- Data volume increased 9% to 2.9b GB.
- Voice traffic declined 1% QoQ to 702.7b, minutes much lesser than the subscriber fall.

### Valuation and view

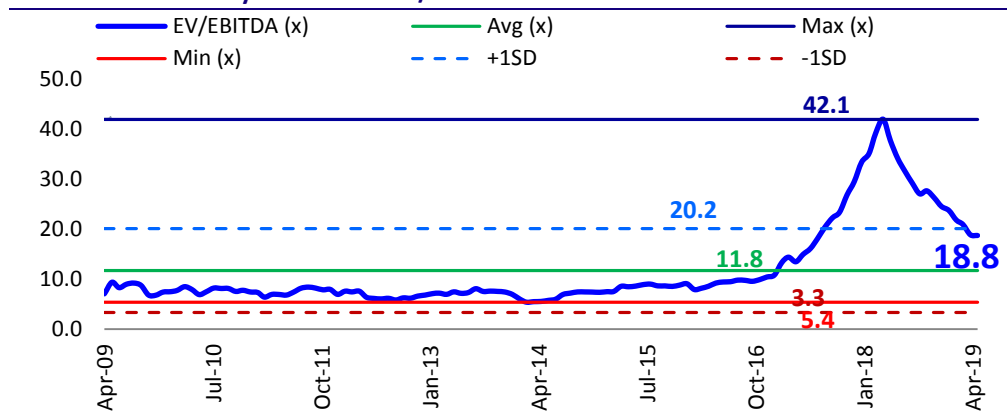
- Implementation of minimum recharge plans is proving revenue accretive for the company. This was visible in 4Q revenue getting stabilized, as against de-growth for the past several quarters.
- Further, management reiterated its operational synergy guidance of INR84b.
- However, even after assuming additional INR1.5-2b quarterly synergy gains, our FY20E EBITDA reaches INR85b, which is yet significantly low against the ballooning net debt position of INR1,019b (FY20).
- We have factored price increase in FY21, building FY21 EBITDA of INR132b. This coupled with INR250b rights issue and an estimated INR50-60b from Indus stake sale (not yet factored in the model), should assist in servicing the bloated net debt, providing respite to the company for additional 5-6 quarters, beyond which price increase will be key.
- Leverage is likely to remain high over the near term, but IDEA's proven execution capabilities, strong promoter backing and strong operating leverage opportunity from any ARPU increase should come handy, in our view. We maintain our **Buy** rating with a TP of INR20, ascribing 13x to FY21E EBITDA.

#### Exhibit 1: Valuation based on FY21E EBITDA

	Methodology	Driver (INR b)	Multiple (x)	Fair Value (INR b)	Value/sh. (INR)
Combined EBITDA	FY21 EV/EBITDA	132	13	1,722	60
Less Net debt			.	1,156	40
<b>Total Value</b>				<b>566</b>	<b>20</b>
Shares o/s (b)				28.7	
CMP (INR)					14
<b>Upside (%)</b>					<b>36</b>

Source: MOFSL, Company

Exhibit 2: IDEA: One-year forward EV/EBITDA band



Source: Bloomberg, MOFSL



## 4QFY19 earnings call highlights

### Key takeaways

- Net IUC revenue has reduced to INR4b from INR4.5b in 3Q.
- The company has been adding 3-3.2m subscribers on unlimited price plans every month.
- Impact on subscriber churn due to minimum recharge has not been fully done yet
- Capex guidance for FY20 stands at INR168b.
- Reiterated that network integration will get completed across all circles by Jun'20.

### 4Q performance

- The company has been adding 3-3.2m subscribers on unlimited price plans every month.
- Proportion of incoming-only subscribers has come down substantially as a result of minimum recharge plans.
- Lag between de-loading and re-loading of broadband sites has led to a drop in the count of total broadband sites.
- Revenue for 4Q grew marginally by 0.1% QoQ; average daily revenue was up 2.3% QoQ.
- Added 5.4m 4G subscribers, taking the total base to 80.7m.
- EBITDA improved 57% QoQ; however, adjusted for INR2b one-offs, it was up 39% QoQ.
- INR2b one-offs adjustments largely include one-offs in network cost.
- Net debt stands at INR1,183b; Capex for 4Q stood at INR32b.
- Post rights issue of INR250b, net debt stands at INR933.6b; net debt to equity of 1.2x.
- Net IUC revenue has reduced to INR4b from INR4.5b in 3Q.
- IUC cost has gone up, primarily due to higher international calling rather than domestic.
- Increase in non-current financial liabilities is due to an increase in capex creditors.
- INR102b has been re-classified from non-current borrowings to current maturities of long-term debt for not meeting certain covenant clauses.

## Five-pillar strategy

### Accelerate integration

- Company is using cluster-based approach for integration and has completed network integration in 10 of the 22 circles.
- Network consolidation and spectrum re-farming have led to capacity enhancement by 34% QoQ.
- Enhanced capabilities of some of 900MHz sites through dynamic spectrum re-farming.
- Also re-farmed 2,100MHz spectrum from 3G to 4G on selected sites.
- Optimized loading on 24k sites out of the total 67,000 co-located sites.
- Completed targeted integration of distributors, retailers, service stores/centers network during the quarter.
- Reiterated that merger synergies of INR84b will be achieved by FY21.
- Achieved 60% of targeted synergies within seven months of merger completion.

### Prioritizing investments

- Company is using district approach rather than circle-wise approach and investments are made in high potential districts.
- Added 8,915 4G TDD sites during the quarter to augment 4G capacity.
- Deployed 2,000 massive MIMO sites added during 4Q; 4,650 massive MIMO added till date.
- 4G population coverage stands at 65% as on Mar'19.
- Target to achieve more than 95% of 4G population in high-potential districts by FY20.
- Target to increase capacity by 2.5x by Mar-20 (from Sept-18 levels).
- Exited 9,900 low utilization sites.

### Driving ARPU through simplification

- Lost 53m subscribers due to minimum recharge plans, of which majority were incoming only subs or with low ARPU.
- ARPU for 4Q came in at INR104, up 16% QoQ.
- Introduced INR119 plan targeting non-data customers and encouraging them to upgrade to unlimited plans.

### Growing revenue stream and partnership to drive value

- Continues to focus on IoT, cloud offering etc.
- Content partnerships include Netflix, Amazon Prime, Zee, Sony, Eros etc.
- Shutting down the Idea Music; plans to come up with new Music app.

### Strengthening balance sheet

- Concluded INR250b rights issue; issue was oversubscribed by 1.2x by non-promoter shareholders.
- Continue to work toward monetization of 158k km of intra-city and inter-city fiber.

### Business outlook

- Impact of subscriber churn due to minimum recharge has not been fully done yet. Expect some residual impact in ensuing quarters.
- Reiterated that network integration will get completed across all circles by Jun'20.
- Capex guidance for FY20 stands at INR168b.

- New investments are made only in 4G/massive MIMO technology; not investing any more in 3G technology.
- Reiterated guidance of having 170-180k base stations – all with 2G/4G, some with 3G.
- Additional network rollout, rent increase and compensation increase will offset the INR84b synergies.
- Most of the 4G customers are on unlimited price plans.
- Focused on ramping up 'family plans' for postpaid customers.

**Exhibit 3: Consolidated quarterly performance (INR m)**

	3QFY19	4QFY19	QoQ%	4QFY19E	v/s est. (%)
<b>Revenue</b>	<b>1,17,648</b>	<b>1,17,750</b>	<b>0.1</b>	<b>1,17,365</b>	<b>0.3</b>
Operating expenses	1,06,279	99,897	-6.0	1,03,292	-3.3
<b>EBITDA</b>	<b>11,369</b>	<b>17,853</b>	<b>57.0</b>	<b>14,073</b>	<b>26.9</b>
<b>EBITDA margin (%)</b>	<b>9.7</b>	<b>15.2</b>	<b>550bps</b>	<b>12.0</b>	<b>317bps</b>
Depreciation and amortization	47,734	46,639	-2.3	48,126	-3.1
<b>EBIT</b>	<b>-36,365</b>	<b>-28,786</b>	<b>-20.8</b>	<b>-34,053</b>	<b>NM</b>
EBIT margin (%)	-30.9	-24.4	646bps	-29.0	NM
Net Finance Costs	26,068	27,894	7.0	27,159	2.7
Share of Associates	398	549	37.9	406	35.2
<b>Profit before Tax</b>	<b>-62,035</b>	<b>-56,131</b>	<b>NM</b>	<b>-60,806</b>	<b>NM</b>
Exceptional item (gain)/loss	8,008	11,458	NM	0	NM
Tax	-19,997	-18,770	NM	-19,601	NM
Tax rate (%)	32.4	33.8	133bps	32.5	NM
<b>Profit after Tax</b>	<b>-50,046</b>	<b>-48,819</b>	<b>NM</b>	<b>-41,205</b>	<b>NM</b>
<b>Adj. Profit after Tax</b>	<b>-62,050</b>	<b>-40,569</b>	<b>NM</b>	<b>-41,205</b>	<b>NM</b>

Source: Company, MOFSL

**Exhibit 4: Key operating metrics comparison**

	3QFY19	4QFY19	QoQ%	4QFY19E	v/s est. (%)
Subscriber Base (m)	387.2	334.1	-13.7%	352.0	-5.1%
VLR Subscribers (m)	390.8	368.3	-5.8%		
Pre-paid Subs (%)	93.9%	93.1%	-0.9%		
Blended ARPU (INR)	89	104	16.9%	105	-0.6%
<b>Voice metrics</b>					
MOU (min/sub/month)	580	662	14.1%	585.8	13.0%
Blended churn	5.0%	7.2%	44.0%	5.0%	44.0%
Total Minutes (m min)	7,12,283	7,02,749	-1.3%	6,49,533	8.2%
<b>Data metrics</b>					
Data subs (m)	146.3	146.3	0.0%	160.9	-9.1%
as a % of overall subs	37.8%	43.8%	15.9%	45.7%	-4.2%
Broadband subs (m)	107.9	110.2	2.1%		
Total Data traffic (m GB)	2,705	2,947	9.0%	3,192	-7.7%
Data usage/subs (Mb)	6,324	6,716	6.2%	6,927	-3.0%
<b>Tower details</b>					
Total Unique Towers (EoP)	1,98,171	1,92,580	-2.8%		
Total Unique Broadband Towers (EoP)	1,57,683	1,55,632	-1.3%		
Total Broadband sites (3G+4G)	3,76,816	3,71,922	-1.3%		

Source: MOFSL, Company

**Exhibit 5: Shareholding pattern pre and post rights issue**

	As on March 31, 2019 (Pre Rights issue)		As on May 10, 2019 (Post Rights issue)	
	No. of Shares (m)	% holding	No. of Shares (m)	% holding
<b>Promoter and Promoter Group</b>				
Aditya Birla Group	2,275.1	26.0%	7,811.7	27.2%
Vodafone Group	3,955.6	45.3%	12,755.6	44.4%
<b>Total Promoter Holding</b>	<b>6,230.7</b>	<b>71.3%</b>	<b>20,567.3</b>	<b>71.6%</b>
<b>Public Shareholding</b>				
Institutional Holding	1,537.4	17.6%	6,606.7	23.0%
Non-Institutional Holding	967.5	11.1%	1,561.4	5.4%
<b>Total</b>	<b>8,735.6</b>	<b>100.0%</b>	<b>28,735.4</b>	<b>100.0%</b>

Source: MOFSL, Company

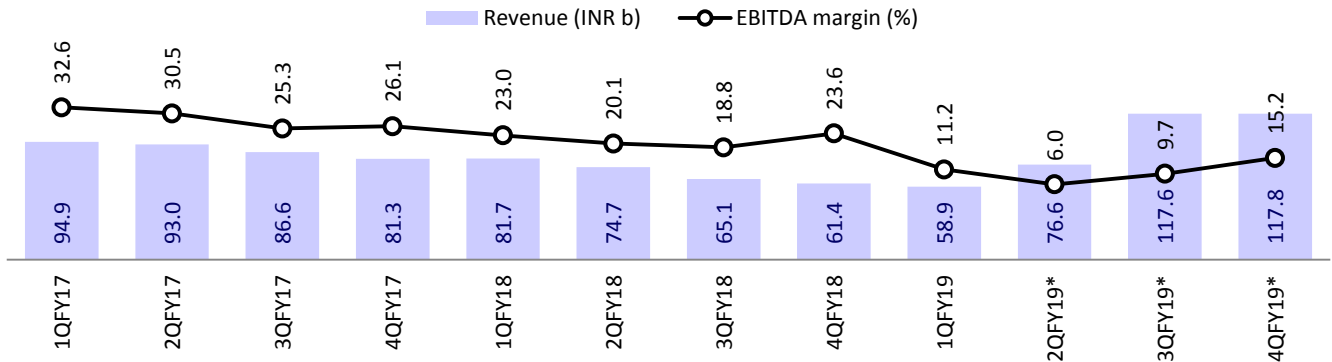
**Exhibit 6: Summary of estimate change**

	FY20E	FY21E
<b>Revenue (INR b)</b>		
Old	466	490
Actual/New	467	489
Change (%)	0.4	-0.3
<b>EBITDA (INR b)</b>		
Old	81	126
Actual/New	85	132
Change (%)	5.8	5.5
<b>EBITDA margin (%)</b>		
Old	17.3	25.6
Actual/New	18.2	27.1
Change (bp)	94bps	149bps
<b>Net Profit (INR b)</b>		
Old	-165	-146
Actual/New	-147	-136
Change (%)	NM	NM
<b>EPS (INR)</b>		
Old	-5.7	-5.1
Actual/New	-5.1	-4.7
Change (%)	NM	NM

Source: MOFSL, Company

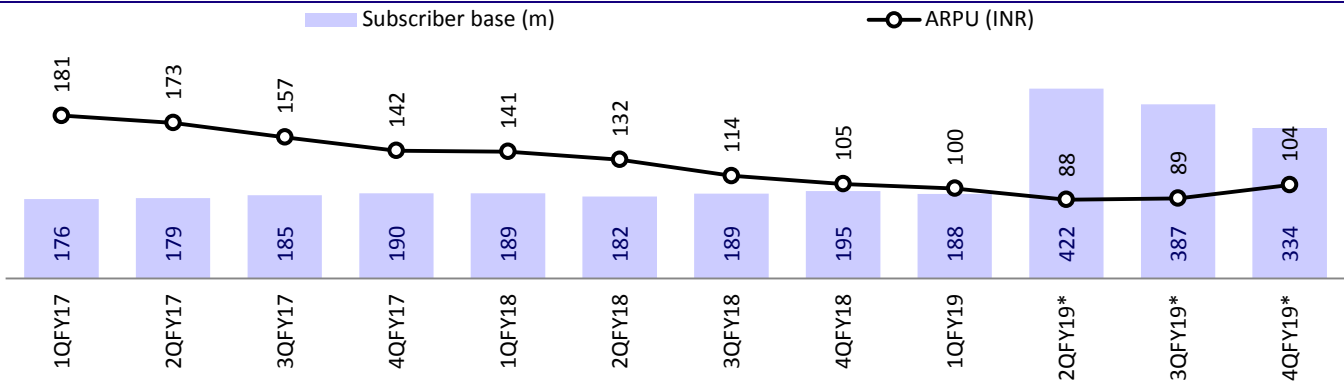
Story in charts

Exhibit 7: Consol. revenue stood flat QoQ; EBITDA margin expanded 550bp (INR b, %)



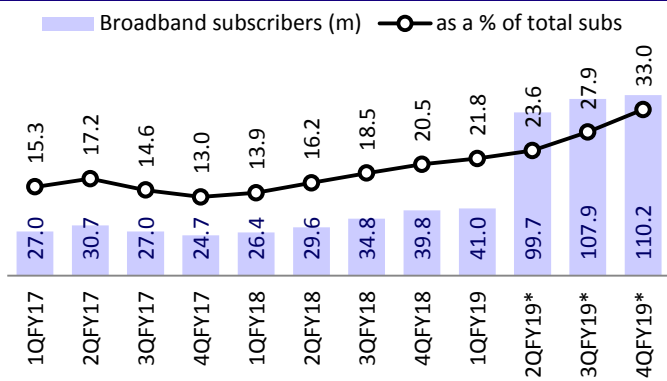
\*represents Vodafone Idea merged entity performance

Exhibit 8: ARPU grew 16% QoQ, while subscriber base reduced by 53m



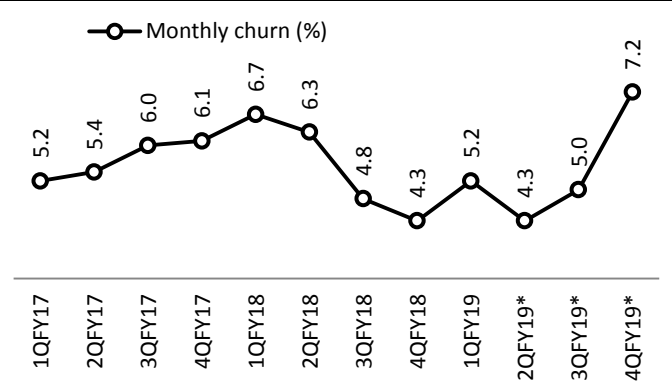
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Exhibit 9: Broadband subscriber base ramping up



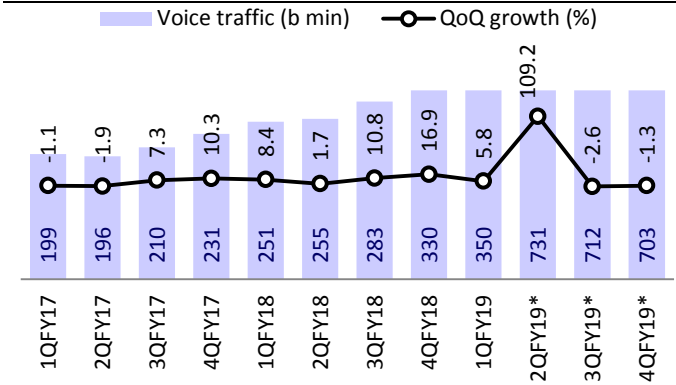
\*represents Vodafone Idea merged entity performance  
Source: Company, MOFSL

Exhibit 10: Monthly churn increased QoQ (%)



\*represents Vodafone Idea merged entity performance  
Source: Company, MOFSL

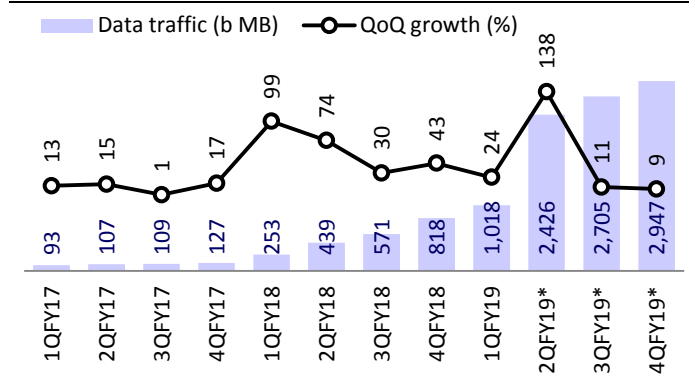
**Exhibit 11: Voice traffic and QoQ growth**



\*represents Vodafone Idea merged entity performance

Source: Company, MOFSL

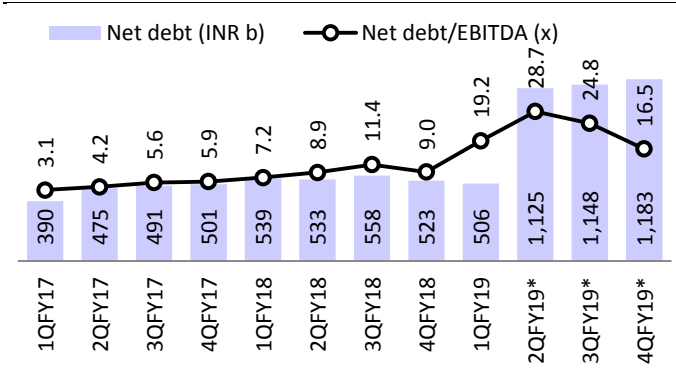
**Exhibit 12: Data traffic and QoQ growth**



\*represents Vodafone Idea merged entity performance

Source: Company, MOFSL

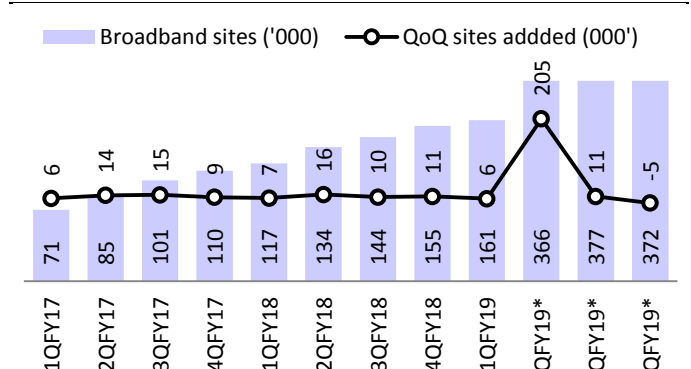
**Exhibit 13: Net debt and net debt/EBITDA**



\*represents Vodafone Idea merged entity performance

Source: Company, MOFSL

**Exhibit 14: Broadband sites and quarterly additions**



\*represents Vodafone Idea merged entity performance

Source: Company, MOFSL



## Financials and Valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19*	FY20E*	FY21E*
<b>Total Income from Operations</b>	<b>2,65,189</b>	<b>3,15,709</b>	<b>3,59,494</b>	<b>3,55,758</b>	<b>2,82,789</b>	<b>3,70,925</b>	<b>4,67,257</b>	<b>4,88,719</b>
Change (%)	18.1	19.1	13.9	-1.0	-20.5	31.2	26.0	4.6
<b>Total Expenditure</b>	<b>1,81,852</b>	<b>2,07,592</b>	<b>2,39,818</b>	<b>2,52,995</b>	<b>2,22,314</b>	<b>3,30,495</b>	<b>3,82,028</b>	<b>3,56,246</b>
% of Sales	68.6	65.8	66.7	71.1	78.6	89.1	81.8	72.9
<b>EBITDA</b>	<b>83,337</b>	<b>1,08,117</b>	<b>1,19,676</b>	<b>1,02,763</b>	<b>60,475</b>	<b>40,430</b>	<b>85,230</b>	<b>1,32,474</b>
Margin (%)	31.4	34.2	33.3	28.9	21.4	10.9	18.2	27.1
Depreciation	45,194	53,036	62,561	78,272	84,091	1,45,356	1,89,479	1,95,241
<b>EBIT</b>	<b>38,143</b>	<b>55,081</b>	<b>57,115</b>	<b>24,491</b>	<b>-23,616</b>	<b>-1,04,926</b>	<b>-1,04,250</b>	<b>-62,768</b>
Int. and Finance Charges	7,700	5,755	18,831	37,342	44,600	87,317	1,19,282	1,44,630
<b>PBT bef. EO Exp.</b>	<b>30,443</b>	<b>49,325</b>	<b>38,284</b>	<b>-12,851</b>	<b>-68,216</b>	<b>-1,92,243</b>	<b>-2,23,531</b>	<b>-2,07,397</b>
Share of profits of associates	0	0	4,217	4,218	3,224	1,968	2,308	2,498
EO items	0	0	0	0	0	-8,521	0	0
<b>PBT after EO Exp.</b>	<b>30,443</b>	<b>49,325</b>	<b>42,501</b>	<b>-8,633</b>	<b>-64,992</b>	<b>-1,81,754</b>	<b>-2,21,223</b>	<b>-2,04,899</b>
Total Tax	10,765	17,396	15,220	-4,636	-23,310	-35,715	-73,976	-68,517
Tax Rate (%)	35.4	35.3	35.8	53.7	35.9	19.7	33.4	33.4
Minority Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>19,678</b>	<b>31,929</b>	<b>27,281</b>	<b>-3,997</b>	<b>-41,682</b>	<b>-1,46,039</b>	<b>-1,47,247</b>	<b>-1,36,382</b>
<b>Adjusted PAT</b>	<b>19,678</b>	<b>31,929</b>	<b>24,574</b>	<b>-3,997</b>	<b>-41,682</b>	<b>-1,61,482</b>	<b>-1,47,247</b>	<b>-1,36,382</b>
Change (%)	94.7	62.3	-14.6	-114.7	942.8	250.4	-8.8	-7.4
Margin (%)	7.4	10.1	7.6	-1.1	-14.7	-43.5	-31.5	-27.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19*	FY20E*	FY21E*
Equity Share Capital	33,196	35,978	36,005	36,053	43,593	87,356	2,87,350	2,87,350
Total Reserves	1,32,073	1,94,314	1,99,501	2,11,269	2,29,031	5,08,992	4,11,744	2,75,362
<b>Net Worth</b>	<b>1,65,269</b>	<b>2,30,292</b>	<b>2,35,506</b>	<b>2,47,322</b>	<b>2,72,624</b>	<b>5,96,348</b>	<b>6,99,094</b>	<b>5,62,713</b>
Total Loans	2,06,350	2,68,591	4,05,413	5,50,545	5,79,851	10,85,236	12,76,237	13,80,837
Deferred Tax Liabilities	18,133	19,015	19,539	13,218	-11,393	-1,02,914	-1,02,914	-1,02,914
<b>Capital Employed</b>	<b>3,89,752</b>	<b>5,17,898</b>	<b>6,60,458</b>	<b>8,11,085</b>	<b>8,41,082</b>	<b>15,78,670</b>	<b>18,72,417</b>	<b>18,40,636</b>
Gross Block	5,16,970	6,18,207	7,13,532	9,06,838	10,20,216	21,46,679	23,06,679	24,56,679
Less: Accum. Deprn.	2,21,012	2,62,871	61,692	1,39,267	2,23,358	3,68,714	5,58,193	7,53,435
<b>Net Fixed Assets</b>	<b>2,95,958</b>	<b>3,55,336</b>	<b>6,51,840</b>	<b>7,67,571</b>	<b>7,96,858</b>	<b>17,77,965</b>	<b>17,48,486</b>	<b>17,03,244</b>
Goodwill on Consolidation	61	61	61	61	61	36	36	36
Capital WIP	1,14,194	51,405	60,397	75,351	35,853	51,030	51,030	51,030
<b>Total Investments</b>	<b>2,155</b>	<b>1,15,267</b>	<b>34,709</b>	<b>63,783</b>	<b>72,905</b>	<b>82,386</b>	<b>82,386</b>	<b>82,386</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>53,206</b>	<b>82,598</b>	<b>54,247</b>	<b>59,912</b>	<b>66,069</b>	<b>2,82,193</b>	<b>4,59,831</b>	<b>4,02,806</b>
Inventory	683	710	1,065	588	367	42	258	270
Account Receivables	8,006	9,789	11,424	13,139	8,874	33,000	20,797	21,755
Cash and Bank Balance	1,881	15,537	7,691	827	291	9,908	1,74,321	1,03,465
Loans and Advances	42,636	56,562	34,067	45,358	56,537	2,39,243	2,64,455	2,77,317
<b>Curr. Liability &amp; Prov.</b>	<b>75,823</b>	<b>86,769</b>	<b>1,40,798</b>	<b>1,55,592</b>	<b>1,30,664</b>	<b>6,14,940</b>	<b>4,69,353</b>	<b>3,98,867</b>
Account Payables	68,960	78,013	1,36,418	1,51,551	1,27,333	6,11,094	4,64,830	3,94,136
Provisions	6,863	8,756	4,380	4,041	3,331	3,846	4,523	4,731
<b>Net Current Assets</b>	<b>-22,616</b>	<b>-4,171</b>	<b>-86,550</b>	<b>-95,681</b>	<b>-64,595</b>	<b>-3,32,748</b>	<b>-9,521</b>	<b>3,939</b>
<b>Appl. of Funds</b>	<b>3,89,752</b>	<b>5,17,898</b>	<b>6,60,458</b>	<b>8,11,085</b>	<b>8,41,082</b>	<b>15,78,670</b>	<b>18,72,417</b>	<b>18,40,635</b>

E: MOFSL Estimates; \*represents Vodafone Idea merged entity performance

## Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19*	FY20E*	FY21E*
<b>Basic (INR)</b>								
<b>EPS</b>	<b>5.9</b>	<b>8.9</b>	<b>6.8</b>	<b>-1.1</b>	<b>-9.6</b>	<b>-18.5</b>	<b>-5.1</b>	<b>-4.7</b>
Cash EPS	19.5	23.6	24.2	20.6	9.7	-1.8	1.5	2.0
BV/Share	49.8	64.0	65.4	68.6	62.5	68.3	24.3	19.6
DPS	0.4	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Payout (%)	7.9	8.1	9.5	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E					NM	NM	NM	NM
Cash P/E					1.5	-7.8	9.8	7.1
P/BV					0.2	0.2	0.6	0.7
EV/Sales					2.3	3.2	3.2	3.5
EV/EBITDA					9.4	27.7	16.8	12.2
Dividend Yield (%)	0.7	1.7	1.6	0.0	0.0	0.0	0.0	0.0
<b>Return Ratios (%)</b>								
RoE	12.7	16.1	10.6	-1.7	-16.0	-37.2	-22.7	-21.6
RoCE	7.5	8.2	6.4	1.6	-1.8	-6.7	-3.8	-2.1
RoIC	9.0	11.7	8.2	1.8	-2.2	-7.8	-4.6	-2.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.2
Asset Turnover (x)	0.7	0.6	0.5	0.4	0.3	0.2	0.2	0.3
Inventory (Days)	1	1	1	1	0	0	0	0
Debtor (Days)	11	11	12	13	11	32	16	16
<b>Leverage Ratio (x)</b>								
Current Ratio	0.7	1.0	0.4	0.4	0.5	0.5	1.0	1.0
Interest Cover Ratio	5.0	9.6	3.0	0.7	-0.5	-1.2	-0.9	-0.4
Net Debt/Equity	1.2	0.6	1.5	2.0	1.9	1.7	1.5	2.1

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19*	FY20E*	FY21E*
OP/(Loss) before Tax	19,678	31,929	42,501	-8,632	-41,682	-1,46,039	-1,47,247	-1,36,382
Depreciation	45,194	53,036	62,561	78,272	84,091	1,45,356	1,89,479	1,95,241
Interest & Finance Charges	8,564	9,337	20,685	39,736	44,600	87,317	1,19,282	1,44,630
Direct Taxes Paid	-6,384	-11,043	-8,611	-6,808	0	0	0	0
(Inc)/Dec in WC	5,354	5,540	-3,980	6,960	-23,102	2,70,182	-1,59,760	-84,317
<b>CF from Operations</b>	<b>72,406</b>	<b>88,800</b>	<b>1,13,155</b>	<b>1,09,527</b>	<b>63,907</b>	<b>3,56,816</b>	<b>1,754</b>	<b>1,19,172</b>
Others	9,786	15,379	-3,669	-4,154	-24,611	-91,521	0	0
<b>CF from Operating incl EO</b>	<b>82,192</b>	<b>1,04,179</b>	<b>1,09,486</b>	<b>1,05,373</b>	<b>39,296</b>	<b>2,65,295</b>	<b>1,754</b>	<b>1,19,172</b>
(Inc)/Dec in FA	-36,448	-41,576	-1,29,118	-1,26,319	-73,880	-11,41,615	-1,60,000	-1,50,000
<b>Free Cash Flow</b>	<b>45,744</b>	<b>62,603</b>	<b>-19,632</b>	<b>-20,946</b>	<b>-34,584</b>	<b>-8,76,320</b>	<b>-1,58,246</b>	<b>-30,828</b>
(Pur)/Sale of Investments	0	0	1,03,909	-33,472	-9,122	-9,481	0	0
Others	-29,194	-15,680	2,835	4,626	-8,519	7,587	949	0
<b>CF from Investments</b>	<b>-65,642</b>	<b>-57,256</b>	<b>-22,373</b>	<b>-1,55,165</b>	<b>-91,521</b>	<b>-11,43,509</b>	<b>-1,59,051</b>	<b>-1,50,000</b>
Issue of Shares	263	37,374	175	-4,453	67,497	0	2,49,993	0
Inc/(Dec) in Debt	-15,936	52,355	-86,485	84,297	29,306	5,05,385	1,91,001	1,04,601
Interest Paid	-7,682	-6,656	-4,393	-32,800	-44,600	-87,317	-1,19,282	-1,44,630
Dividend Paid	-1,306	-2,792	-2,598	-2,599	0	0	0	0
Others	0	0	0	1	-513	4,69,763	0	0
<b>CF from Fin. Activity</b>	<b>-24,661</b>	<b>80,280</b>	<b>-93,301</b>	<b>44,445</b>	<b>51,690</b>	<b>8,87,831</b>	<b>3,21,712</b>	<b>-40,029</b>
<b>Inc/Dec of Cash</b>	<b>-8,111</b>	<b>1,27,202</b>	<b>-6,188</b>	<b>-5,346</b>	<b>-535</b>	<b>9,617</b>	<b>1,64,414</b>	<b>-70,857</b>
Opening Balance	10,729	3,543	13,879	6,174	827	291	9,907	1,74,321
<b>Closing Balance</b>	<b>1,881</b>	<b>15,537</b>	<b>7,691</b>	<b>827</b>	<b>292</b>	<b>9,908</b>	<b>1,74,321</b>	<b>1,03,465</b>

E: MOFSL Estimates; \*represents Vodafone Idea merged entity performance

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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