

Idea Cellular (IDECEL)

One offs aid performance...

- Consolidated revenues came in lower at ₹ 6137.3 crore (down 5.7% QoQ) vs. our estimates of ₹ 6212.4 crore, impacted by international IUC cuts (impact of ₹ 52 crore) and price competition. The miss was on account of higher than expected impact of price erosion owing to competition. The resultant ARPU was at ₹ 105 (down 7.9%QoQ) vs. our expectations of ₹ 107. The voice volume usage continued to be buoyed by free outgoing offers under the bundled package, resulting in 16.9% QOQ growth in voice volumes to 330.3 billion minutes. The overall Data consumption per sub continued to grow handsomely at 6.0 GB, 28% QoQ, on account bundled offerings.
- EBITDA came in at ₹ 1447.1 crore, up 18.3% QoQ vs our expectations of ₹ 960.1 crore, **owing to one-off write backs of costs of ₹ 440 crore across network opex, employee expense and license and spectrum charges**. The consequent reported margins came in at 23.6% vs expectations of 15.5%. **Adjusted margins were at 16.4%.**
- Reported net loss came in at ₹ 962 crore (vs. expectation of a loss of ₹ 1465 crore). The better than anticipated EBITDA and higher other income led to lower than anticipated losses

International IUC cut impacts on revenues;

Of the 5.7% sequential decline revenues during the quarter, 0.8% was attributable to international termination rate cut from 53 paise to 30 paise, wef Feb 1, 2018, while 2.2% decline was owing to lower number of days. We highlight that given the continued pricing pressure by Jio and near term intent to ramp up Jio Phone, the industry repair seems still some time away, industry consolidation largely offering a trend reversal in medium term. We expect the ARPU to mildly recover to ₹ 109 in FY20 from the current levels of ₹ 105 and consequent revenues at ₹ 28849 crore in FY20 vs. ₹ 28279 crore in FY18.

Merger likely by H1CY18, integration process already begins

The company reiterated that merger is expected to be consummated by H1CY18 end, with final leg of approvals from DOT and FIPB. The company has also announced its leadership team recently. Ahead of the merger, the company has entered into active infra sharing and 2G & 4G ICR sharing across circles. The company has also set up respective project management teams, preparing for the merger and initiated detailed planning for identified capex and opex synergies. The management echoed the stated overall synergy (opex + capex) of ~USD 2 billion, with ~₹ 2000 crore opex synergy benefits from day 1 for the merged entity).

Industry repair still away; maintain HOLD

We maintain that near term tough times would remain considering recent price cuts by Jio's and its effort to eat into the 2G base of incumbents. Sooner than expected merger with Vodafone (by H1CY18) and its effort of integrating the merger through active infra sharing and 4G ICR, however, does bode well for the company under the current hyper competitive scenario. We, however, highlight that with more than 75% of the combined entity subscriber base being 2G and Jio's aggressive JioPhone push indicate that pain is far from over on competition front. We would, therefore, change our stance only when we witness the synergy benefit coming into play amid the competitive scenario. We have lowered our ARPU and margins and estimates. We maintain **HOLD** and lower our target price to ₹ 63 (vs. 85 earlier) on a DCF based methodology.

Rating matrix		
Rating	:	Hold
Target	:	₹ 63
Target Period	:	12 months
Potential Upside	:	-8%

What's changed?	
Target	Changed from ₹ 85 to ₹ 63
EPS FY19E	Changed from ₹ -12 to ₹ -11.7
EPS FY20E	Changed from ₹ -10.1 to ₹ -10.6
Rating	Unchanged

Quarterly performance					
	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
Revenue	6,137.3	8,126.1	-24.5	6,509.6	-5.7
EBITDA	1,447.1	2,196.5	-34.1	1,223.4	18.3
EBITDA (%)	23.6	27.0	-345 bps	18.8	478 bps
PAT	-962.2	(327.7)	NM	-1284.5	NM

Key financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	35,576	28,279	26,331	28,849
EBITDA	10,276	6,048	5,090	6,444
PAT	(400)	(4,168)	(5,118)	(4,621)
EPS (in ₹)	(1.1)	(9.6)	(11.7)	(10.6)

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	NA	NA	NA	NA
Target P/E	NA	NA	NA	NA
EV / EBITDA	7.8	13.6	16.7	13.0
P/BV	1.0	1.1	1.4	1.7
RoNW (%)	-1.6	-15.3	-23.1	-26.4
RoCE (%)	3.3	(2.3)	(3.8)	(3.1)

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	30,079.2
Total Debt (₹ Crore)	57,985.2
Cash & Investments (₹ Crore)	5,659.5
EV (₹ Crore)	82,404.9
52 week H/L	118 / 68
Equity capital	4,359.3
Face value	10.0

Price performance				
	1M	3M	6M	12M
Bharti Airtel	-17.3	-16.3	1.2	18.6
RCOM	-17.6	80.0	21.1	-23.7
Idea	-22.8	-13.2	-7.9	-23.9

Research Analysts	
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Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	Q3FY18	YoY (%)	QoQ (%)	Comments
Revenue	6,137.3	6,212.4	8,126.1	6,509.6	-24.5	-5.7	The revenue performance was marginally weaker on steeper than expected ARPU decline and ₹ 52 crore impact on account of International IUC cut
Other Income	250.4	42.0	68.4	42.0	266.1	496.2	
Employee Expenses	259.5	405.6	436.7	424.2	-40.6	-38.8	
Marketing Expenses	816.7	803.0	825.2	905.2	-1.0	-9.8	
Network operating expenditure	2,142.9	2,480.8	2,651.4	2,366.1	-19.2	-9.4	
License and WPC Charges	532.7	666.6	893.5	698.5	-40.4	-23.7	
Roaming & Access Charges	710.9	649.9	942.4	636.1	-24.6	11.8	
	4,713.1	5,048.0	5,817.6	5,072.1	-19.0	-7.1	
EBITDA	1,447.1	960.1	2,196.5	1,223.4	-34.1	18.3	
EBITDA Margin (%)	23.6	15.5	27.0	18.8	-345 bps	478 bps	The beat was owing to one off relating to writebacks of provisions w.r.t certain costs (Network Opex ₹ 200 crore, employee expenses ₹ 140 crore and license fee and spectrum charges - ₹ 100 crore)
Depreciation	2,085.4	2,111.6	1,988.5	2,141.5	4.9	-2.6	
Interest	1,224.6	1,238.7	1,081.6	1,191.0	13.2	2.8	
Total Tax	-575.8	-796.0	-379.2	-700.8	NM	NM	The company availed certain MAT credit leading to tax benefits
PAT	-962.2	-1,465.0	-327.7	-1,284.5	NM	NM	The better than anticipated reported EBITDA led to lower than anticipated losses
Key Metrics							
Subscribers (Million)	194.5	190.5	189.5	188.5	2.6	3.2	
ARPU (Rs)	105	107	142	114	-26.1	-7.9	
MoU (Rs)	577.0	503.2	412.0	509.0	40.0	13.4	Huge influx of traffic coupled with volume driven by freebies offered by Idea led to sharp voice volume growth
Voice ARPM (Rs)	13.4	15.3	25.8	16.7	-48.1	-19.7	

Source: Company, ICICI Direct Research

Change in estimates

₹ Crore	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	27,178.4	26,330.6	-3.1	30,863.6	28,849.5	-6.5	Lower our revenues estimates to incorporate recent price cuts and delay in industry repair
EBITDA	5,545.4	5,089.9	-8.2	7,805.4	6,444.1	-17.4	
EBITDA Margin (%)	20.4	19.3	-107 bps	25.3	22.3	-295 bps	
PAT	-4,711.9	-5,117.7	NM	-3,985.0	-4,621.3	NM	
EPS (₹)	-12.0	-11.7	NM	-10.1	-10.6	NM	

Source: Company, ICICI Direct Research

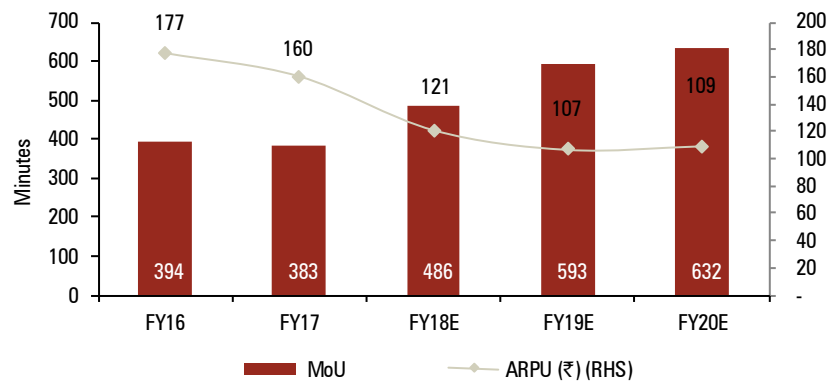
Assumptions

	Current				Earlier		
	FY16	FY17E	FY18E	FY19E	FY20E	FY19E	FY20E
Wireless Subscribers (Mn)	175.1	189.5	194.5	208.4	223.4	204.1	218.8
Blended ARPU	177.2	160.2	121.0	106.7	109.3	111.9	118.9
Total Minutes	786.0	836.0	1,118.7	1,413.1	1,563.4	1,231.3	1,362.3

Source: Company, ICICI Direct Research

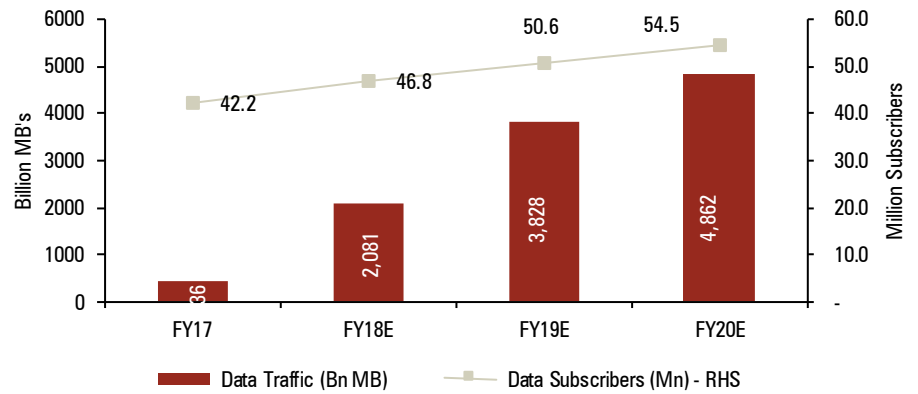
Company Analysis

Exhibit 1: MOU and ARPU trends



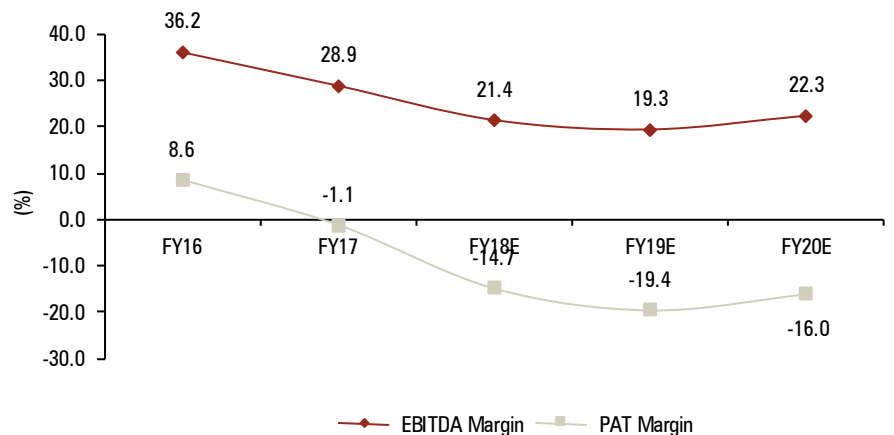
Source: Company, ICICI Direct Research

Exhibit 2: Data subscribers, total data traffic



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA and PAT margins trend



Source: Company, ICICI Direct Research

Conference Call Highlights

- **Revenues:** i) Reported revenue decline was 5.7% QoQ, out of which 2.2% impact was on account of lesser no of days in the quarter and 0.8% impact was on account of rate cut in international IUC. Hence, revenue decline after adjusting to the above one-offs was for the quarter was 2.7%QoQ, attributable mainly to price competition. For FY18, the regulatory impact of cut in domestic IUC (from 14 paisa/min to 6 paisa/min) as well as International IUC (from 53 paisa/min to 30 paisa/min) was in the tune of ₹1,845 crores and ₹529 crore on revenues and EBITDA respectively.
- **EBITDA aided by one-offs, EBITDA margins expected to improve on synergy benefits and market consolidation:** The company has following one-offs in the quarter i) ₹200 crore in network operating expenses ii) ₹140 crore on employee expenses iii) ₹100 crore in License fees expenses. Management also reiterated its guidance of overall cost synergy of USD 2 bn (60% Opex synergy) cost synergy benefits for ongoing merger with Vodafone, with 2000 crore of opex benefits from day 1, on account of removal of overlapping sites.
- **Current ARPUs unsustainable, won't hesitate to follow leaders in case of tariff hikes in the future:** Management says their strategy is to produce profitable minutes rather than to be a price warrior in the market which is evident from the fact that their tariffs are still 15-20% premium to that of Jio. They further re-iterates that current ARPUs are unsustainable and need to move up gradually in the long run. Management indicated that they would follow industry leaders, in case the leader decides to hike tariffs in the near future.
- **Recent equity rising and asset sale and deferred payment relaxation eases the pain:** On account of i) ₹6,750 crore equity raising by Idea promoters and similar equity raising exercise in Vodafone India ii) ₹7,850 crore independent tower sale iii) ₹6,500 crore from the monetization of 11.15% stake sale in Indus tower, if they exercise this option, the cash availability will be ~4 bn USD. Hence, management indicated that they are adequately funded for next 2-3 years and there no immediate need for debt refinancing.
- **Opts for Deferred payment extension:** Company has option for DoT extension of deferred payment period to 16 years from earlier 10 years. *Our calculation suggests that the company would now have annual deferred payment of ₹ 5478 crore in FY19 and FY20 vs earlier annual scheduled payment of ₹ 7077 crore, implying annual cash flow ease of ~₹ 1600 crore.*
- **To derive benefits of network integration:** Idea expects to use overlapping equipment to uncovered area for coverage improvement. It also expects to upgrade existing 2G/3G equipment to 4G and higher spectrum allocation towards BTS for capacity enhancement. Company is also planning to use 900 MHz band for 4G deployment, post-merger, in 12-15 circles. Management also clarified that owing to approval of increase in spectrum caps by DoT, the combined entity will be able to retain its current spectrum holding.

Valuation

We maintain that near term tough times would remain considering recent price cuts by Jio's and its effort to eat into the 2G base of incumbents. Sooner than expected merger with Vodafone (by H1CY18) and its effort of integrating the merger through active infra sharing and 4G ICR, however, does bode well for the company under the current hyper competitive scenario. We, however, highlight that with more than 75% of the combined entity subscriber base being 2G and Jio's aggressive JioPhone push indicate that pain is far from over on competition front. We would, therefore, change our stance only when we witness the synergy benefit coming into play amid the competitive scenario. We have lowered our ARPU and margins and estimates. We maintain **HOLD** and lower our target price to ₹ 63 (vs. 85 earlier) on a DCF based methodology.

Exhibit 4: DCF assumptions

Particulars	Amount
WACC	9.4%
Revenue CAGR over FY17 - FY24E	2.1%
PV of Cash Flow Till Terminal Year	14,470.0
Terminal Growth	4.0%
Present Value of terminal cash flow	71,114.7
PV of firm	85,584.7
Less: Net Debt	57,956.1
Total present value of the Equity (excluding current cash)	27,628.6
Number of Equity Shares outstanding	435.9
DCF - Target price (₹)	63

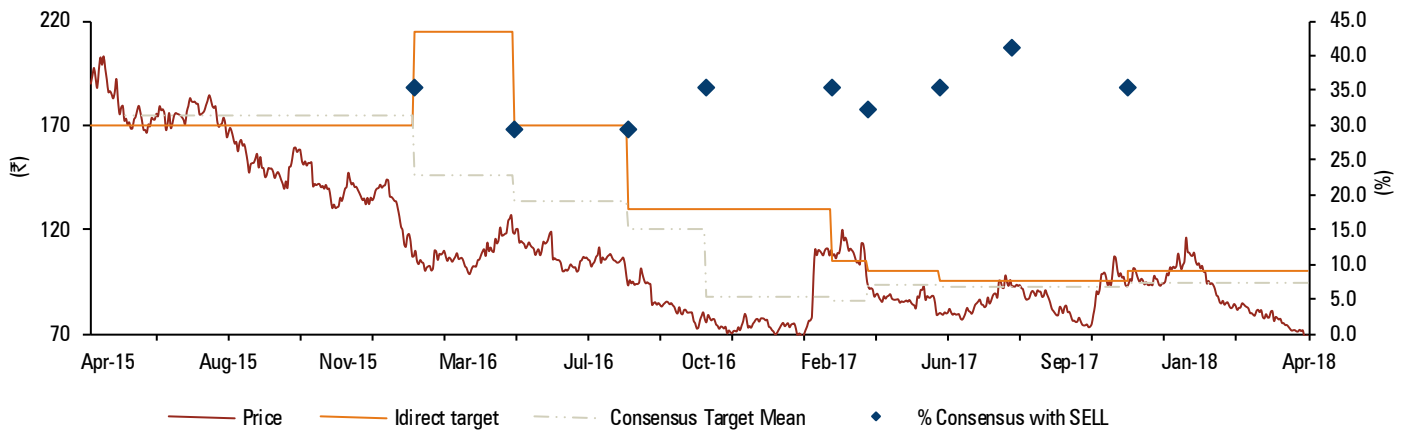
Source: Company, ICICI Direct Research

Exhibit 5: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	35,575.7	(1.1)	(1.1)	NA	(62.2)	7.8	(1.6)	3.3
FY18	28,278.9	-20.5	-9.6	NA	-7.2	13.6	-15.3	-2.3
FY19E	26,330.6	(6.9)	(11.7)	NA	(5.9)	16.7	(23.1)	(3.8)
FY20E	28,849.5	9.6	-10.6	NA	-6.5	13.0	-26.4	-3.1

Source: Company, ICICI Direct Research

Recommendation history versus consensus estimates



Source: Bloomberg, Company, ICICI Direct Research

Key events

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 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

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Aditya Birla Group	23-Feb-18	0.3	1,236.9	-291.7
2	Birla TMT Holdings Pvt. Ltd.	23-Feb-18	0.1	283.8	283.8
3	Stewart Investors	31-Dec-17	0.0	180.9	-7.8
4	First State Investments (Singapore)	23-Feb-18	0.0	138.7	4.3
5	ICICI Prudential Life Insurance Company Ltd.	23-Feb-18	0.0	118.6	-8.9
6	Franklin Advisers, Inc.	23-Feb-18	0.0	117.2	62.2
7	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Mar-18	0.0	95.2	0.0
8	First State Investments (U.K.) Ltd	30-Sep-17	0.0	59.5	-0.4
9	The Vanguard Group, Inc.	31-Dec-16	0.0	52.4	0.0
10	BlackRock Institutional Trust Company, N.A.	31-Mar-18	0.0	51.6	9.5

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	42.41	42.39	42.38	42.38	42.56
FII	26.97	25.92	26.52	27.23	26.72
DII	6.84	8.42	8.16	7.84	6.71
Others	23.78	23.27	22.94	22.55	24.01

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Birla TMT Holdings Pvt. Ltd.	+365.19M	+283.80M	Aditya Birla Group	-375.40M	-291.73M
Franklin Advisers, Inc.	+80.07M	+62.22M	ICICI Prudential Life Insurance Company Ltd.	-11.46M	-8.91M
ICICI Prudential Asset Management Co. Ltd.	+38.37M	+29.82M	Stewart Investors	-13.22M	-7.80M
BlackRock Institutional Trust Company, N.A.	+11.12M	+9.55M	Goldman Sachs Asset Management (Singapore) Pte. Ltd.	-11.37M	-6.71M
First State Investments (Singapore)	+5.57M	+4.32M	HDFC Asset Management Co., Ltd.	-7.23M	-6.20M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total operating Income	35575.7	28278.9	26330.6	28849.5	
Growth (%)	-1.1	-20.5	-6.9	9.6	
Employee Expenses	1,797.6	1,543.0	1,472.5	1,695.0	
Roaming & Access Charges	4,275.4	3,535.8	3,108.7	3,439.4	
Network operating expenditure	10,665.3	9,733.4	9,604.2	9,900.6	
License and WPC Charges	4,051.5	2,866.7	2,791.0	3,058.0	
SG&A Expenses	3,485.9	3,609.0	3,363.3	3,414.9	
Other Costs	1,023.7	943.5	900.9	897.5	
Total Operating Expenditure	25299.4	22231.4	21240.6	22405.4	
EBITDA	10276.3	6047.5	5089.9	6444.1	
Growth (%)	-21.1	-41.2	-15.8	26.6	
Depreciation	7827.2	8409.1	8557.4	9231.8	
Interest	4041.1	4813.0	5044.7	5044.7	
Other Income	306.9	353.0	280.0	320.0	
Non Operating Expenses	0.0	0.0	0.0	0.0	
PBT	-1285.1	-6821.6	-8232.2	-7512.4	
MI/ Profit from associates	-421.9	-322.4	-323.8	-344.4	
Total Tax	-463.5	-2331.0	-2790.7	-2546.7	
PAT	-399.7	-4168.2	-5117.7	-4621.3	
Growth (%)	NM	NM	NM	NM	
EPS (₹)	-1.1	-9.6	-11.7	-10.6	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Liabilities					
Equity Capital	3,605.3	4,359.3	4,359.3	4,359.3	
Reserve and Surplus	21,126.9	22,903.2	17,785.3	13,164.0	
Others	0.0	0.0	0.0	0.0	
Total Shareholders funds	24,732.2	27,262.5	22,144.6	17,523.3	
Total Debt	55,054.5	57,985.2	57,985.2	57,985.2	
Deferred Tax Liability	1,358.7	65.9	65.9	65.9	
Others	1,530.2	3,363.5	3,363.5	3,363.5	
Total Liabilities	82,675.6	88,677.1	83,559.2	78,937.9	
Assets					
Gross Block	118,168.6	129,506.4	133,591.7	139,591.7	
Less: Acc Depreciation	41,405.4	49,814.5	58,371.9	67,603.8	
Net Block	76,763.2	79,691.9	75,219.8	71,987.9	
Capital WIP	7,535.1	3,585.3	6,500.0	6,500.0	
Total Fixed Assets	84,298.3	83,277.2	81,719.8	78,487.9	
Investments	1,478.5	1,660.1	1,660.1	1,660.1	
Inventory	58.8	36.7	34.2	37.4	
Debtors	1,313.9	887.4	793.5	869.4	
Loans and Advances	44.6	35.8	33.3	36.5	
Other Current Assets	1,231.2	1,791.5	1,668.1	1,644.9	
Cash	82.7	29.1	2,961.7	1,970.5	
Total Current Assets	2,731.2	2,780.5	5,490.8	4,558.8	
Creditors	4,077.7	3,547.9	3,606.9	3,952.0	
Provisions	404.1	333.1	338.6	333.9	
Total Current Liabilities	4,481.8	3,881.0	3,945.6	4,285.9	
Net Current Assets	-1,750.6	-1,100.5	1,545.3	272.9	
Other Non Current Assets	3,255.9	2,197.7	2,197.7	2,197.7	
Application of Funds	82,675.6	88,677.1	83,559.2	78,937.9	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit after Tax	-399.7	-4,168.2	-5,117.7	-4,621.3	
Add: Depreciation	7,827.2	8,409.1	8,557.4	9,231.8	
Add: Interest paid	4,041.1	4,813.0	5,044.7	5,044.7	
(Inc)/dec in Current Assets	(255.9)	(1,152.2)	222.3	(59.2)	
Inc/(dec) in CL and Provisions	2,732.2	-4,128.9	770.8	2,457.5	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	13,944.9	3,772.8	9,477.5	12,053.5	
(Inc)/dec in Investments	-2,907.4	-912.2	5,500.0	-2,000.0	
(Inc)/dec in Fixed Assets	-20,895.6	-7,388.0	-7,000.0	-6,000.0	
Others	-2,881.8	-342.4	0.0	0.0	
CF from investing activities	-26,684.8	-8,642.6	-1,500.0	-8,000.0	
Issue/(Buy back) of Equity	4.8	754.0	0.0	0.0	
Inc/(dec) in loan funds	14,513.2	2,930.7	0.0	0.0	
Dividend paid & dividend tax	0.0	0.0	0.0	0.0	
Interest Paid	-4,041.1	-4,813.0	-5,044.7	-5,044.7	
Others	1,576.6	5,944.4	0.0	0.0	
CF from financing activities	12,053.5	4,816.1	-5,044.7	-5,044.7	
Net Cash flow	-686.4	-53.7	2,932.8	-991.2	
Opening Cash	769.1	82.7	29.0	2,961.7	
Closing Cash	82.7	29.0	2,961.7	1,970.5	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Per share data (₹)					
EPS	-1.1	-9.6	-11.7	-10.6	
Cash EPS	20.6	9.7	7.9	10.6	
BV	68.6	62.5	50.8	40.2	
DPS	0.0	0.0	0.0	0.0	
Cash Per Share	0.2	0.1	6.8	4.5	
Operating Ratios					
EBITDA Margin (%)	28.9	21.4	19.3	22.3	
EBIT Margin (%)	6.9	-8.4	-13.2	-9.7	
PAT Margin (%)	-1.1	-14.7	-19.4	-16.0	
Inventory days	0.6	0.5	0.5	0.5	
Debtor days	13.5	11.5	11.0	11.0	
Creditor days	41.8	45.8	50.0	50.0	
Return Ratios (%)					
RoE	-1.6	-15.3	-23.1	-26.4	
RoCE	3.3	-2.3	-3.8	-3.1	
RoIC	3.7	-3.2	-5.0	-4.4	
Valuation Ratios (x)					
P/E	-62.2	-7.2	-5.9	-6.5	
EV / EBITDA	7.8	13.6	16.7	13.0	
EV / Net Sales	2.3	2.9	3.2	2.9	
Market Cap / Sales	0.8	1.1	1.1	1.0	
Price to Book Value	1.0	1.1	1.4	1.7	
Solvency Ratios					
Debt/EBITDA	5.4	9.6	11.4	9.0	
Debt / Equity	2.2	2.1	2.6	3.3	
Current Ratio	0.2	0.3	0.2	0.2	
Quick Ratio	0.2	0.3	0.2	0.2	

Source: Company, ICICI Direct Research

ICICI Direct 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)	410	480	Buy	163,714	9.5	2.5	3.4	43.1	161.6	120.4	7.6	8.7	8.7	8.4	5.7	5.9	7.4	2.6	2.1
Bharti Infratel (BHAINF)	314	330	Hold	57,994	14.9	13.5	13.3	21.1	23.3	23.5	9.5	8.3	8.9	20.1	21.1	19.8	17.7	14.7	15.4
Idea Cellular (IDECEL)	69	63	Hold	30,145	-1.1	-9.6	-11.7	NM	NA	NM	7.8	13.6	16.7	3.3	-2.3	-3.8	-1.6	-15.3	-23.1
Sterlite Tech. (STETEC)	352	440	Buy	14,033	5.1	8.4	10.3	69.7	42.0	34.2	28.9	19.9	16.6	16.1	21.6	22.3	22.9	29.6	28.1
Tata Comm. (TATCOM)	624	720	Buy	17,778	43.3	-6.5	12.4	14.4	NM	50.4	10.5	11.0	9.7	6.1	4.9	8.1	17.2	2.5	27.4

Source: Company, ICICI Direct Research

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