

Vodafone Idea

BSE SENSEX
35,200

S&P CNX
10,600

CMP: INR44

TP: INR55 (+24%)

Buy



Stock Info

Bloomberg	IDEA IN
Equity Shares (m)	8,735
M.Cap.(INRb)/(USD\$b)	387.9 / 5.4
52-Week Range (INR)	118 / 33
1, 6, 12 Rel. Per (%)	19/-23/-61
12M Avg Val (INR M)	1254
Free float (%)	28.7

Financials Snapshot (INR b)

Y/E Mar	2018	2019E*	2020E*
Net Sales	282.8	373.5	525.4
EBITDA	60.5	44.6	123.0
NP	-41.7	-188.4	-200.3
EPS (INR)	-9.6	-21.6	-22.9
EPS Gr. (%)	762.5	125.6	6.3
BV/Sh. (INR)	62.5	64.9	42.0
RoE (%)	-16.0	-44.9	-42.9
RoCE (%)	-1.8	-7.6	-3.7
P/E (x)	-4.6	-2.1	-1.9
P/BV (x)	0.7	0.7	1.1
EV/EBITDA (x)	11.6	36.6	14.5

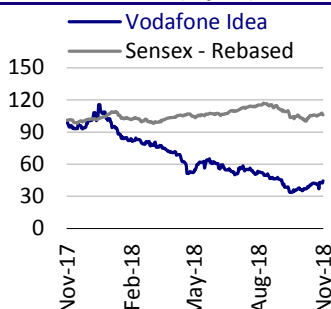
*represents Vodafone Idea merged entity performance

Shareholding pattern (%)

As On	Sept-18	Jun-18	Sept-17
Promoter	71.3	42.6	42.4
DII	6.1	11.9	8.5
FII	12.4	26.0	26.5
Others	10.2	19.5	22.6

FII Includes depository receipts

Stock Performance (1-year)



A gigantic task on hand!

Vodafone-Idea hosted an analyst meet where the discussion was centered around (a) the strength (spectrum, distribution) of the combined entity, (b) accelerating synergies (advancing the target by two years to FY21), (c) roadmap to 4G network expansion, (d) simplification of product proposition and APRU accretion and (e) deleveraging plans.

- 1.) Vodafone-Idea cited it will expedite achievement of merger synergies (FY21 v/s FY23 earlier). Around 60% of the synergy gains (INR84b) will be in the form of opex reduction. Incremental synergies will be achieved by exiting from 22,000 additional sites in ~300 districts, which have 10%/-41% revenue/EBITDA contribution.
- 2.) The company has set a target to reach >70%/>80% 4G coverage by FY19/20 (implies 2.5x capacity increase hereon), with which it would still lag peers by 12 months. It intends to deploy efficient network equipment like dynamic spectrum refarming, ultra-broadband and beamforming (Massive MIMO technologies) with an aim to significantly reduce capex and opex.
- 3.) The company aims to radically simplify products by cutting down the number of non-unlimited plans to only five price-plans on a pan-India basis. This should reduce cost and improve ARPU. Moreover, it would focus on shifting to bundled plans (voice + data) to improve ARPUs. To respond to intensifying competition from JioPhone, Vodafone-Idea is tying up with device companies to reduce handset cost and improve user experience.
- 4.) The company has guided for capex of INR270b. Including equity funding and tower sale, it could generate cash sufficient to fund 10-12 quarters of (capex + interest) requirements.
- 5.) We maintain our estimates and our Buy rating with a target price of INR55 (prior: INR50). However, we see headwinds in the form of (a) network integration challenges and (b) APRU downtrading.

Advancing opex/capex synergy target

Management has brought forward the synergy target (INR140) achievement timeline by two years to FY21 (prior: FY23). Around 60% of the synergy gains (INR84b) will be in the form of opex reduction, majority (INR55b) of which will be achieved by minimizing network opex (INR18b already accrued with 66,000 site exits in 2QFY19). Additional 22,000 overlapping site exits and network integration should lead to further ~INR37b rental/energy savings over 30 months. Management explained that it will decisively streamline duplication of network in ~300 districts, wherein it has revenue/EBITDA share of 10%/-41% and market potential too is very low. Further, it will save INR17b/INR12b from G&A/customer opex synergies (includes streamlining customer acquisition and servicing, and consolidation of A&P cost of the two brands).

Steadfast network integration, capacity expansion

Being the spectrum leader in the market (spectrum life of nearly 16-18 years), the company has at hand the key task of accelerated deployment of 4G spectrum and network rollout. It has set an aggressive target to increase 4G population coverage from 50% in Sept'18 to >70% by March'19 and >80% by March'20 with >1b coverage, and >95% in high-potential districts. This implies ~2.5x increase in network capacity. The worrying part here is that RJio and Bharti have targeted over 90% 4G coverage in the next six months, which could put Vodafone-Idea behind by 12 months. It highlighted that the integration activities will take 18-24 months. Management is deploying: (a) dynamic spectrum refarming in 100% of the 900/1,800mhz bands, which will allow it to increase 4G spectrum needs through efficient use of spectrum across 2G/3G/4G technology and swiftly upgrade 900mhz/1,800mhz/2,100mhz spectrum bands to 4G as per consumer demand. (b) Ultra broadband in 20% of the sites, reducing radio equipment, and thus, capex/opex. (c) Beamforming – use of Massive MIMO in 18% of the sites to improve site coverage/capacity significantly. According to our channel checks with vendors, the company has given contracts for advanced equipment at very attractive pricing, which will improve its capex efficiency.

Cleaning up product proposition, focus on unlimited bundles

Management admitted that 100s of recharge and acquisition plans have confused the customer and increased costs. With the advent of unlimited plans in the market (which have 4x higher ARPUs and one-third churn), it plans to radically simplify prepaid plans by having only five nationwide non-unlimited plans with a minimum recharge of INR35 for 28-day validity (similar to Bharti). This should reduce operational costs. Management indicated that the initial response and trials for minimum INR35 recharge plans in three circles have been positive. In order to compete with Jiophone, it is running device partnerships with low-cost smartphone companies and also bundling six monthly recharges to reduce device cost and improve user experience. Also, to improve ARPUs and reduce churn, it is accelerating migration to unlimited plans.

Fund raising to take care of next 10-12 quarters of cash requirement (interest + capex)

Capex guidance for FY19/20 stands at INR270b; overlapping equipment amounts to INR62b, which can be reused in alternative sites. This should improve 4G population coverage to 80% and capacity by 2.5x. Better pricing and credit terms due to the scale of procurement also undermines the capex intensity. Including opex synergy and annualized 2QFY19 pro forma EBITDA of INR9.8b, we estimate EBITDA of INR105b in FY21, assuming no growth in revenue. We believe 10% ARPU increase and only 40% of the opex accrual in FY20 could drive EBITDA of INR123b for Vodafone-Idea.

Bloated net debt of INR1,125b is concerning. The company is exploring equity funding options of INR250b (by 4QFY19) – of this, INR110b/INR72.5b will be contributed by Vodafone/ABG Group. If the equity funding goes through, then along with the current cash of ~INR136b and potential tower stake sale of ~INR50b, the overall cash in the company could be ~INR440. This could support capex and

interest paying capability of 10-12 quarters (including cash flow from operations and network synergies). The company is also exploring the sale of the fiber network of over 156,000km (intra- and inter-city fiber routes) and plans to play a role in independent fiber sharing entity in the future to restrict incremental capex.

Valuation and view

We maintain our **Buy** rating with a target price of INR55 (prior: INR50), ascribing 13x to FY20E combined EBITDA of INR123b. However, given that (a) merged entity has an uphill task of network integration and (b) there are no signs of relief in terms of APRU downtrading and the continuous decline in the subscriber base (witnessed over the recent few months), we would look at revising our estimates post detail workings on the industry.

Meeting notes

Balesh Sharma, CEO – Radically accelerate integration to reduce cost of production

Industry Outlook, market position

- Industry has unlimited demand and limited supply (by spectrum) therefore there will be price repair and this price repair will be significantly. Another reason for the is the consolidation in the market to just 3 market. And all the 3 players are cash negative.
- Vodafone-Idea has been holding SMS in the last 2 years competition. The recent fall is due to SIM consolidation.
- There are 100m broadband customer and 66m 4g customer. 22% market share on incremental broadband market share. 17% incremental broadband market share,
- Incremental population coverage to grow drastically to >500m and 400m in 2020 for Vodafone/Idea from >400m/>250m in 2019.
- Multi Sim is coming down rapidly since the advent of unlimited plans.
- Don't expect any more price competition. It is already below current cost. End of the beginning – 10 month of no new price change.
- Engaging in device partnership with low cost device cos and providing bundles to improve user experience.

Synergy plans

- The synergy is maintained at INR140b and will come 2 full years ahead of time in 2021 from 2023 expected earlier. Progress ahead of the plan.
- Delay in merger period was not wasted and ensured it was used in managing backend, IT system and networks.
- Exit notices for 66k colocated sites delivering Rs1.5b of integration benefits in Sept18.
- Now Vendor selection completed, roaming ICR fully done for both companies, product harmonization is done and Circle and zone infra consolidation complete. Focus on accelerating synergies and prioritizing of low utilization site exits
- Moving to the next level of granular focus from circle level to district level. Cutting low utilization overlapping sites radically in ~300 districts which have low market potential.
- At the same time there will be at the same time unleashing big addition of new 4g sites to expand 4g.
- Vodafone-Idea enterprise business capability gets leverage for Vodafone's global 900 member sales team.

Vishant Vora, CTO – Networks

- Vodafone-Idea is under invested is a misnomer. 178k 4g sites, 366k broadband sites. Higher capex earlier through Vodafone spring program (global capex) it has invested heavily previously.
- 16-18yrs left for the life of the assets – so have a lowest life of asset left.
- 3 key initiatives – a.) Dynamic Spectrum Refarming (DSR). Less spectrum used for each technology. 100% of the 900/1800 sites will be on DSR. Kerala, Delhi and TN already have deployed it with 40% of time it is used. b.) Ultra broadband

radios – one piece of radio instead of 2. 20% of the sites will be done – Will save huge capex and opex. 18% of the sites will have beamforming - Massive MIMO. Able to create many (16) layer of beams, 3-5x gain in deployments. Massive MIMO already deployed in several 100 locations.

- Lighting of TDD spectrum, refarming 900/2100mhz is very swift due to dynamic spectrum refarming and happens seamless without any physical changes in the sites. Decommissioning of 3g spectrum will start in 6-9 months.
- Network Integration exercise will be complete in 18-24 months. Out of this, physical activities will be 24%, while rest of the activities - Software upgrade and configuration will be 49% and spectrum refarming – 27% of the task which are backend and can be done seamlessly once the physical deployment is completed.
- Spectrum refarming completed in 8 circles in the last 6 months.
- Site exited already - 66k sites giving INR1.5b. Additional 22k site exits from overlapping will give total savings of INR49b.
- Future proofing the network - 5g – 90% of the TDD radio equipment will be 5g ready. All new base bands and core/transport will be 5g ready.
- Seeing a rapid growth of VoLTE consumption on the network with the growing penetration of VoLTE device.
- Backhaul – all sites will be 1-2 hop away from fiber.

Ambreesh Jain, COO: Radical changes in products, S&D synergies and ARPU improvements

- Need simplification of Products – This is a legacy issue due to the expansion of multiple operators. New operator launches new products that are copied by incumbents. High cost of administration. It has left a customer distribution which is not very healthy.
- High value customer with unlimited plans is 4x of low/mid value customers.
- To Improve ARPUs, accelerate shift to unlimited bundles, improve ARPU of non-unlimited customer. Uplift of low ARPU customer who is retaining his sim for OTP or just incoming calls with low 10rs recharges.
- Retained only 5 plans nationwide – Administration cost is low. Call from customer has drastically reduced.
- Integration of S&D done ahead of plan – circle/zonal operations/offices consolidated, From Aug 18 to Dec18 - S&D – Zones reduced from 290 to 158. Distributors reduced from 43k to 27k. In Urban branded retail stores reduced from 6000 to below 4000. Call centers consolidated.
- Total INR12b opex synergy by 21, out of which INR6b is towards customer acquisition with focus on high value customer, INR4b is towards customer servicing and rest INR2b is towards consolidating advertising and promotion expenses.
- Content – A lot of content will come through Netflix, Amazon and live tv. Use content for stickiness. Will use the platform for advertisement content later. Value added content will be given to high value customers.

Akshay Moondra, CFO: Profitability, Capital Raising and deleveraging

- Out of INR84b opex synergy – INR54b in Network and IT, INR17b in G&A and INR12b operations.

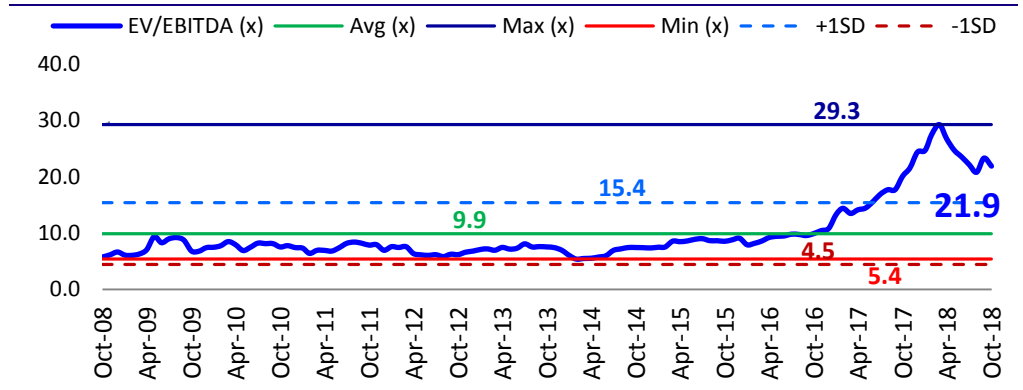
- Opex base of 362b has reduced by 18b on day 0 in month of Sept'18 and additional INR66b should come. So net opex base will be of INR278b.
- Cash burn is not sustainable for all the players.
- Current level of offering – consumer is willing to ARPU of INR170 as per 2QFY17 nos. Based on this ARPU, pro forma EBITDA can be 430b. EBITDA margin has the potential to go to 40%. In 3 player market industry EBITDA margin is 39% globally.
- Vodafone Idea's capex site is much lower than the industry.
- For FY19/20 capex will be INR270b. Additional benefit will come from collocating existing equipment to the tune of INR62b. Further incremental benefit should come from combined spectrum value on the combined sites. Scale of procurement is getting better pricing and credit terms.
- Fiber monetization – backhaul fiber. It is done as sharing of fiber can bring better value. It also releases capital in the core business of mobility and enables the asset in an entity which will do future fiber capex. Currently these assets are moved into a wholly owned subsidiary.
- 79% of the debt is spectrum debt while rest of the INR235b - 21% is net external debt.
- Promoters are funding the business to adequately fund operations and capex.
- INR250b fund raising can reduce debt fully external debt.
- Additionally Indus tower sale, fiber monetization and ARPU increase should help in deleveraging.
- As ARPU starts going up, EBITDA will have high sensitivity, this is also due to reducing costs and synergy gains vs earlier

Exhibit 1: Valuation based on FY20E combined EBITDA (INR b)

	Methodology	Driver (INR b)	Multiple (x)	Fair Value (INR b)	Value/sh (INR)
Combined EBITDA	FY20 EV/EBITDA	123	13	1,606	184
Less Net debt				1,125	129
Total Value				480	55
Shares o/s (b)				8.7	
CMP (INR)					44
Upside (%)					24

Source: MOSL, Company

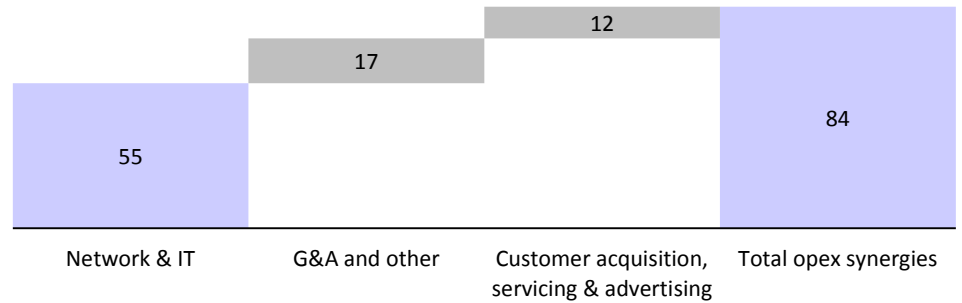
Exhibit 2: IDEA: 1-year forward EV/EBITDA



Source: Bloomberg, MOSL

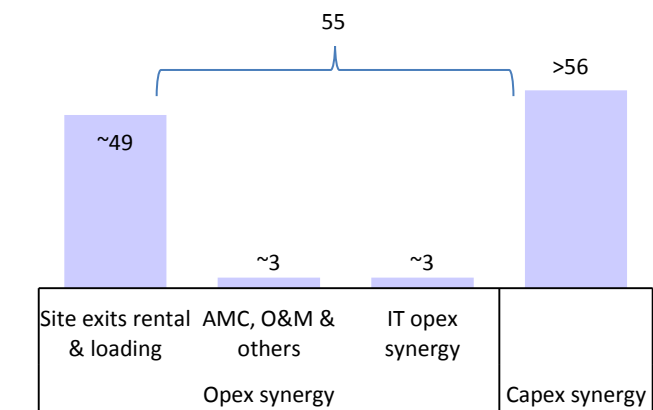
Synergies – guidance remains intact

Exhibit 3: Expect INR84b total opex synergies by FY21 (INR b)



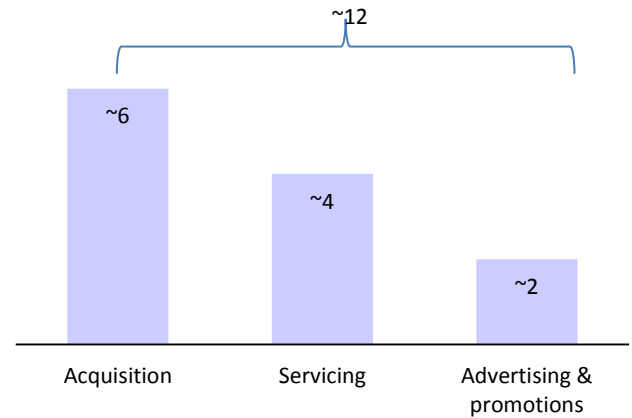
Source: MOSL, Company

Exhibit 4: Expect INR55b network opex synergies and INR56b network capex synergies by FY21 (INR b)



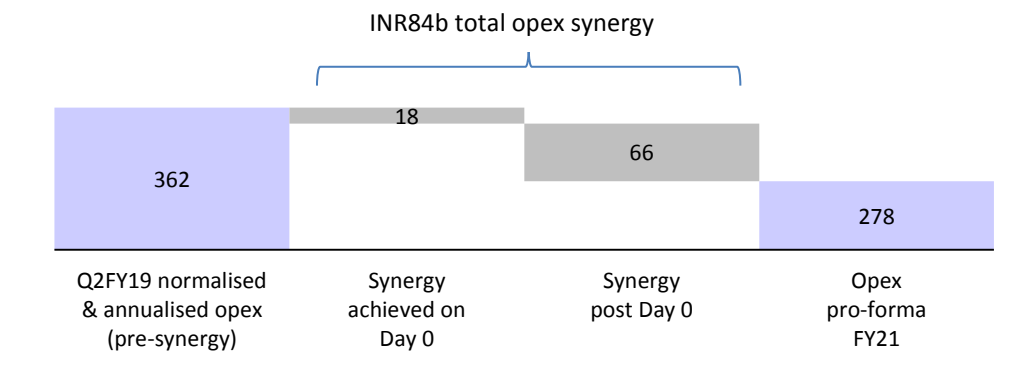
Source: MOSL, Company

Exhibit 5: Expect INR12b operations opex synergies by FY21 (INR b)



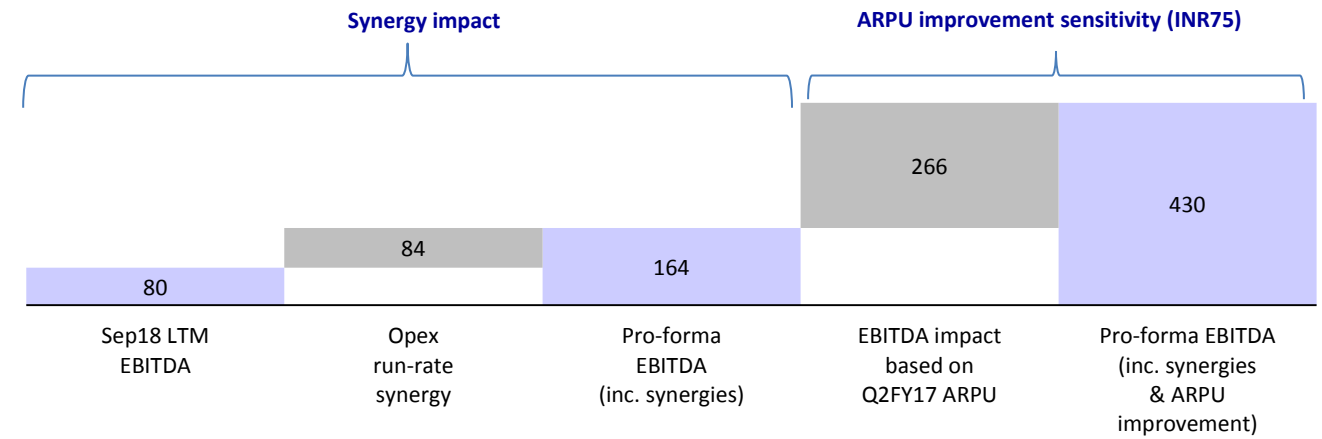
Source: MOSL, Company

Exhibit 6: Full opex synergy run-rate to be delivered in FY21 (INR b)



Source: MOSL, Company

Exhibit 7: Significant potential for EBITDA margin upside



Potential EBITDA margin (%)

~15%

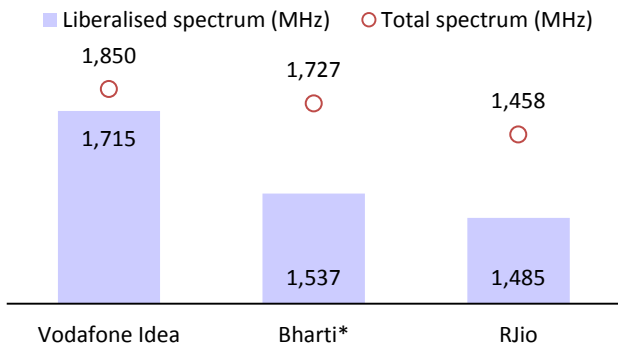
~30%

>40%

Source: MOSL, Company

Network – at the core

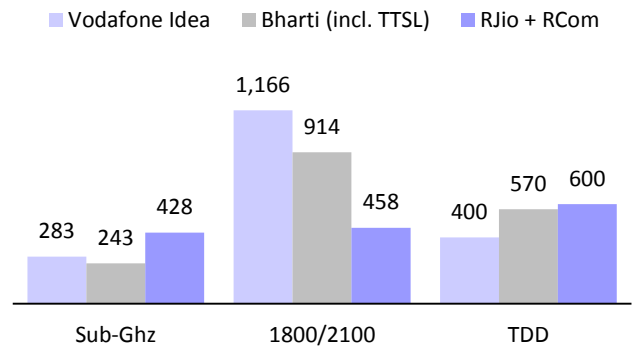
Exhibit 8: Vodafone Idea holds largest spectrum



*Includes Telenor and TTSL

Source: Company, MOSL

Exhibit 9: Player-wise and band-wise spectrum holding



Source: Company, MOSL

Initiatives for optimizing network

Exhibit 10: Using different technologies ...

	Dynamic Spectrum Refarming	Ultrabroadband	Beamforming
	<p>Conventional deployment:</p> <p>After DSR feature activation:</p>	<p>Traditional</p> <p>UBR</p>	<p>64T64R: 16 Layers</p> <p>TDD Ultra High Capacity Layer</p>
Impact on customer experience	<ul style="list-style-type: none"> Better indoor experience Available for LTE (40% of the time) & will improve further with shift to VOLTE 		<ul style="list-style-type: none"> Extra capacity, coverage Addressing congested locations
Impact on operating efficiency	<ul style="list-style-type: none"> DSR enables utilisation of sub-GHz spectrum for LTE without impacting 2G voice 	<ul style="list-style-type: none"> One box to serve 2 bands; saves Capex and Opex 	<ul style="list-style-type: none"> Massive MIMO Beamforming ~3x to 5x capacity in the same spectrum

Source: MOSL, Company

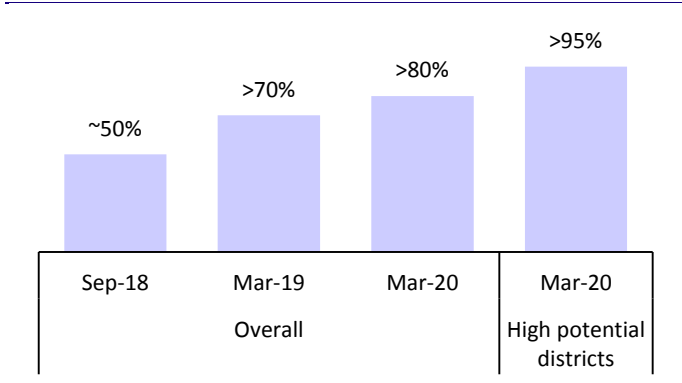
Exhibit 11: ... and Project Parivartan for optimizing network

Edge Core on Cloud 2.5		Hyper-scale inspired Transmission		Fluid Access, Spectral capacity	
1	<p>Capex / MB for Core</p> <p>Smart Edge Core Cloud 2.5</p> <ul style="list-style-type: none"> Multiple Apps on One Cloud 34 Data Core Cloud (DCC) locations <p>72%</p>	4	<p>IP Capex</p> <p>Flow, Service aware IP</p> <ul style="list-style-type: none"> Interoperability in 20 circles 72 Hours Go Live (Core MPLS) with full automation <p>50%</p>	7	<p>Mbps / MHz</p> <p>Ultra in Spectral Capacity</p> <ul style="list-style-type: none"> 18% Sites Beamforming 20% Sites 4T4R, 8T8R <p>150%</p>
2	<p>Capex / MOU for Core</p> <p>New Voice Core</p> <ul style="list-style-type: none"> VOLTE / IMS on cloud Leaf and Spine design 2G,3G Voice Core on Cloud <p>61%</p>	5	<p>Capex / GB</p> <p>Hyper-Scale Optics</p> <ul style="list-style-type: none"> De-layering, de-specifications Layer 0 control plane <p>60%</p>	8	<p>Spectral Efficiency</p> <p>Dynamic Spectrum (G/L)</p> <ul style="list-style-type: none"> 100% FDD Sites Available for LTE (40% of the time) <p>40%</p>
3	<p>Traffic offload</p> <p>Private Internet, CDN</p> <ul style="list-style-type: none"> Best in Industry latency 60%+ Traffic cached locally <p>60%</p>	6	<p>Capex / Access PTN</p> <p>Lean Deep L3 Access</p> <ul style="list-style-type: none"> Deep L3 Controller enabled lean Specs <p>35%</p>	9	<p>900 Mbps</p> <p>Microwave = New Fiber</p> <ul style="list-style-type: none"> 4+0 Microwave (XPIC, HQAM) Ultra High QAM, L3 Microwave <p>4X</p>

Source: MOSL, Company

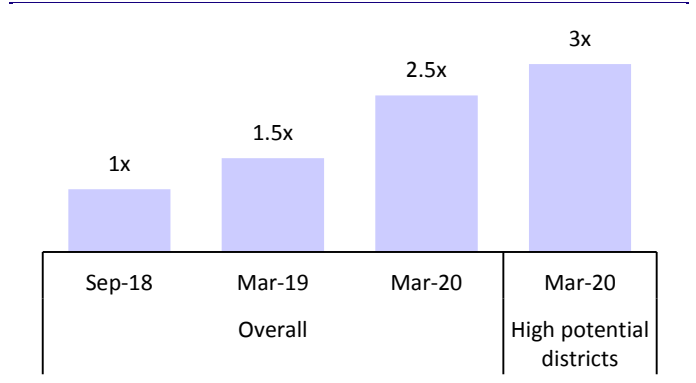
4G coverage and capacity

Exhibit 12: Vodafone Idea 4G coverage to reach ~80% by FY20 (%)



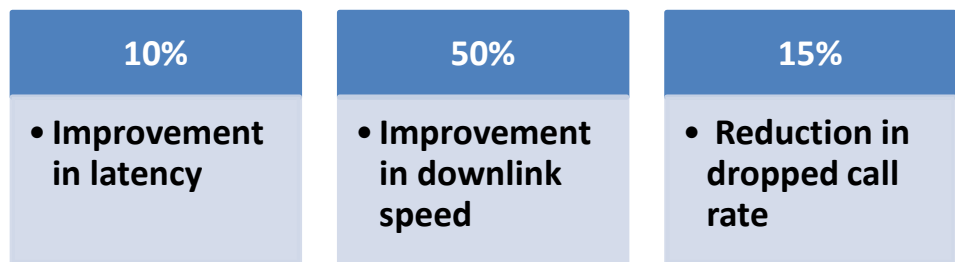
Source: Company, MOSL

Exhibit 13: Vodafone Idea 4G capacity to reach ~2.5x by FY20 (PB/day)



Source: Company, MOSL

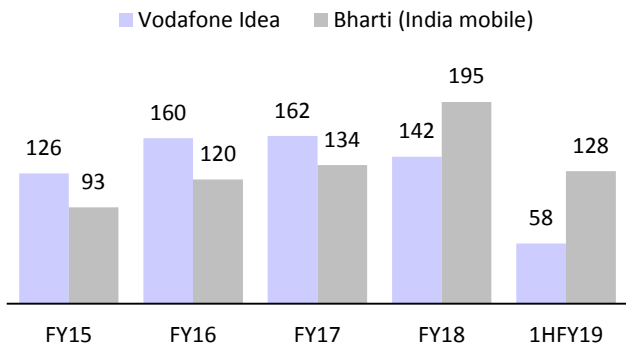
Exhibit 14: FY20 targeted improvements for better network experience



Source: MOSL, Company

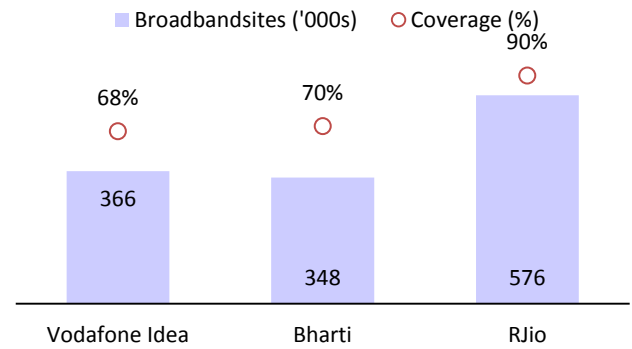
Capex and debt

Exhibit 15: Capex trend (INR b)



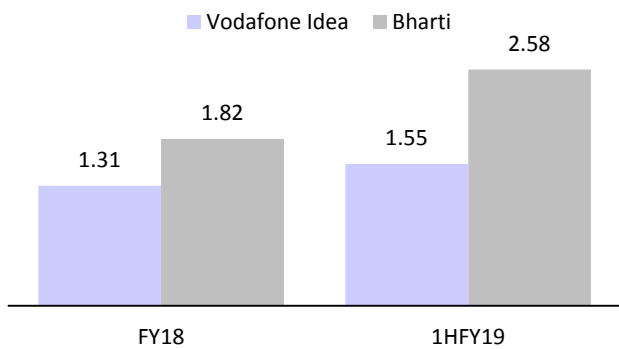
Source: Company, MOSL

Exhibit 16: Broadband sites and coverage



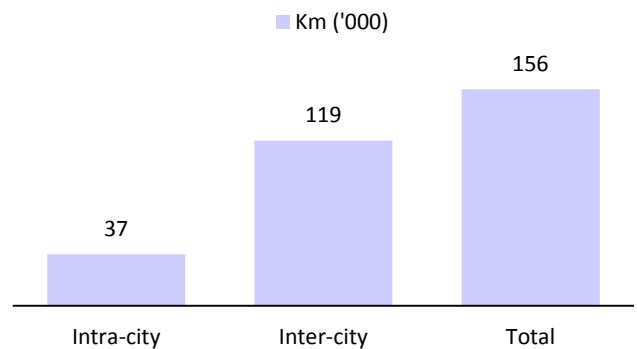
Source: Company, MOSL

Exhibit 17: Capex per site (INR m)



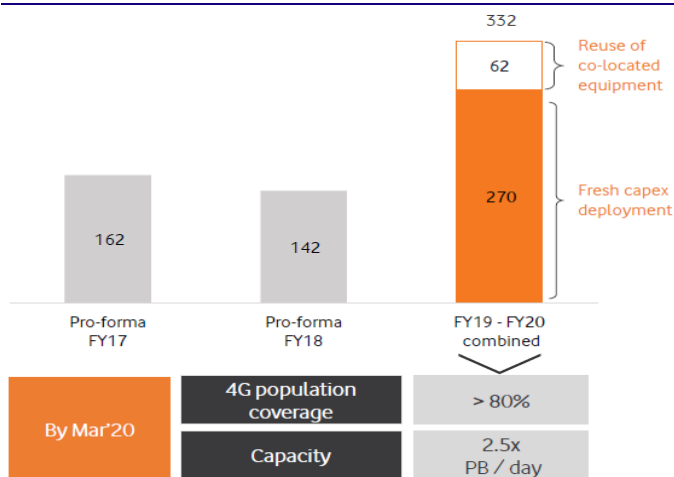
Source: Company, MOSL

Exhibit 18: Fiber network of Vodafone Idea



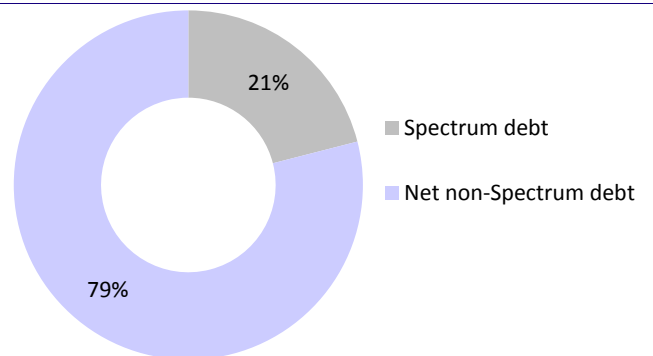
Source: Company, MOSL

Exhibit 19: Vodafone Idea capex guidance (INR b)

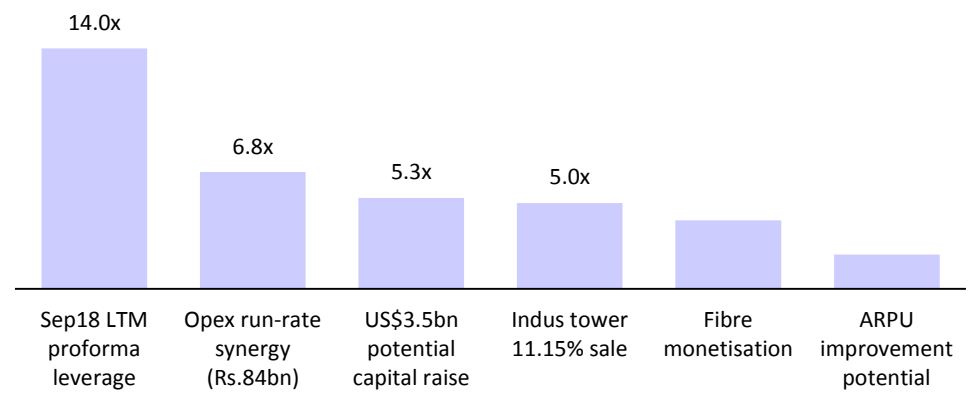


Source: Company, MOSL

Exhibit 20: Spectrum/Non-spectrum debt contribution for Vodafone Idea








Source: Company, MOSL

Exhibit 21: Deleveraging plan of Vodafone Idea

Source: MOSL, Company

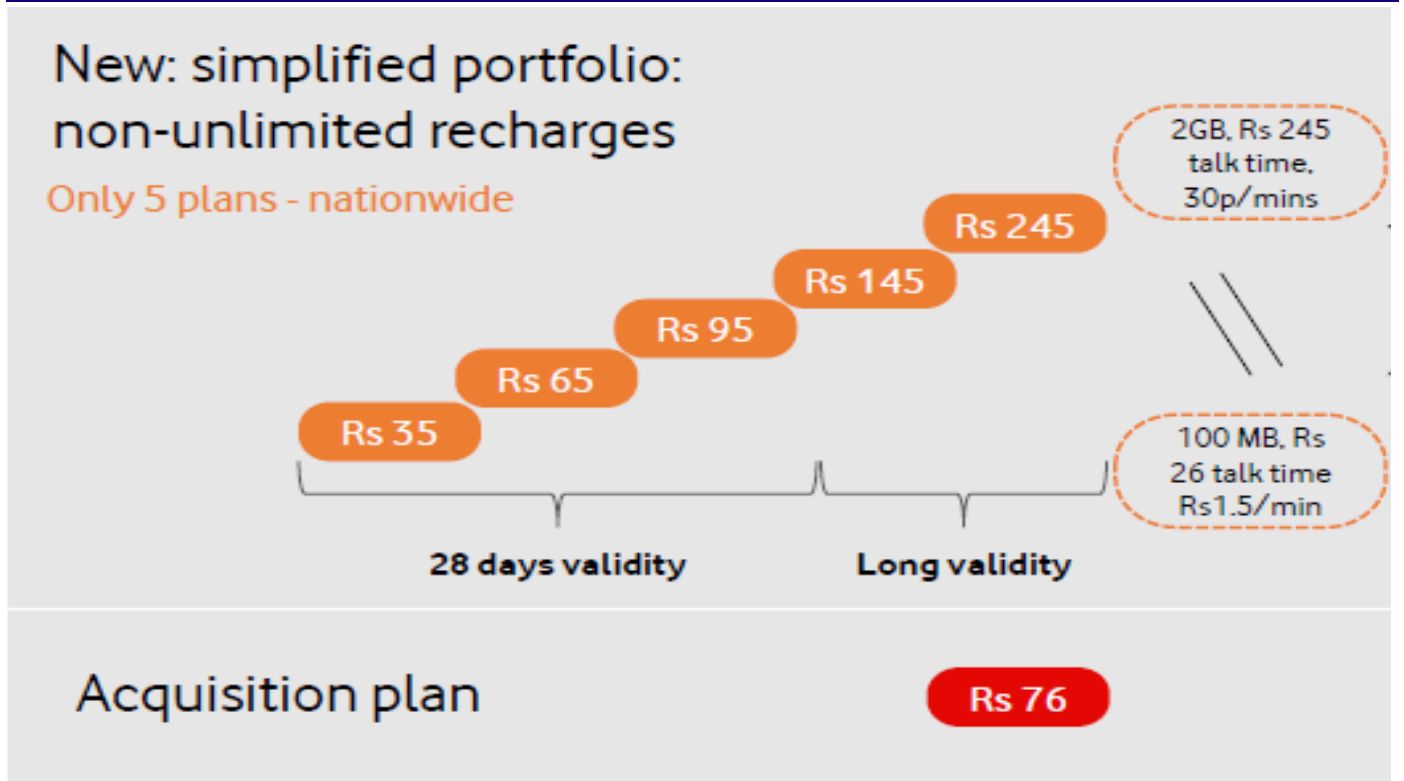
Strategy of Vodafone Idea

Exhibit 22: Strategy to be adopted by Vodafone Idea

Radically accelerate integration to reduce cost of production	Prioritising investments in profitable areas	Drive ARPU via simplification, rationalisation and upselling	Fast growing revenue streams, partnerships to drive value	Strengthen balance sheet
 <ul style="list-style-type: none"> Bring forward synergy targets Optimise capex through equipment reuse Create a 'fit for future' organisation 	 <ul style="list-style-type: none"> Investment focused on key and profitable districts Network expansion for both brands based utilising existing investments Improve 4G coverage and capacity in key areas to enhance customer experience 	 <ul style="list-style-type: none"> Reduce # of price plans Low value recharges for non unlimited customers Digitilisation of customer acquisition / servicing process Utilise Big Data & Analytics to improve ARPU 	 <ul style="list-style-type: none"> Business services Partnerships for Digital Content Partnerships to enhance return from our assets 	 <ul style="list-style-type: none"> Potential capital raise of up to Rs. 250 bn / US\$3.5bn Monetise 11.15% stake in Indus Towers Monetise fibre asset
<p>Focused investments to improve customer experience and in turn, profitability</p>				

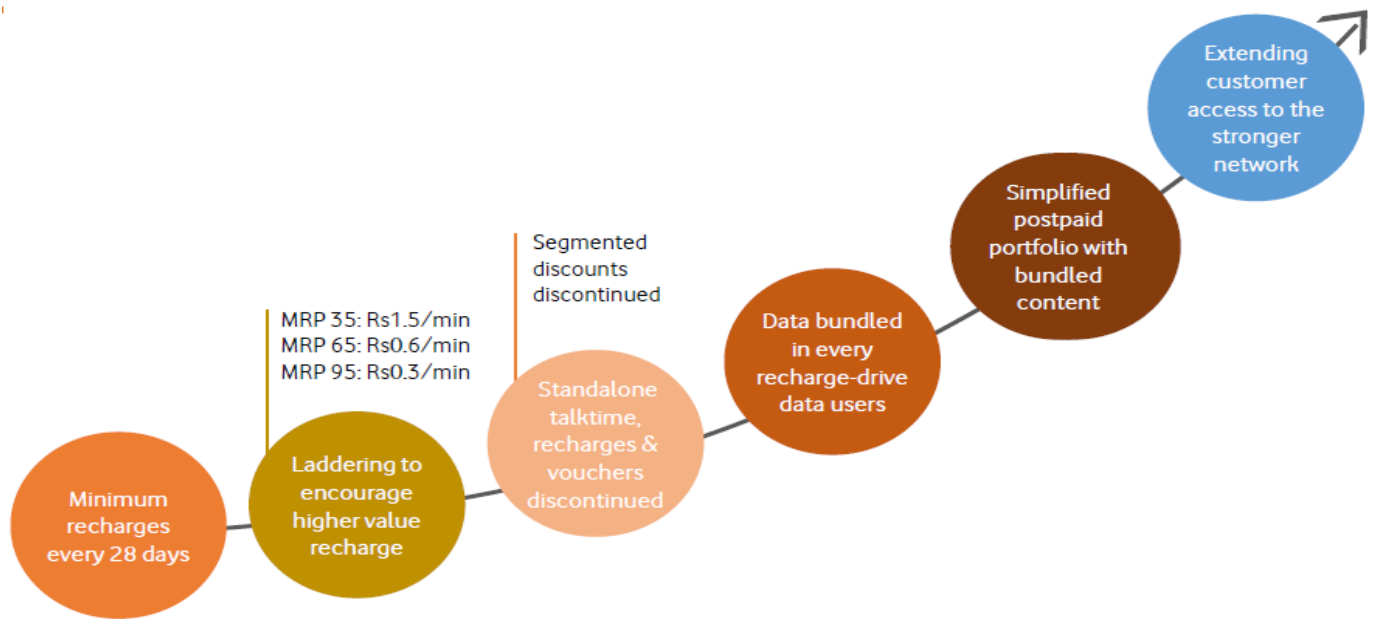
Source: Company, MOSL

Exhibit 23: Radical simplification in prepaid plans



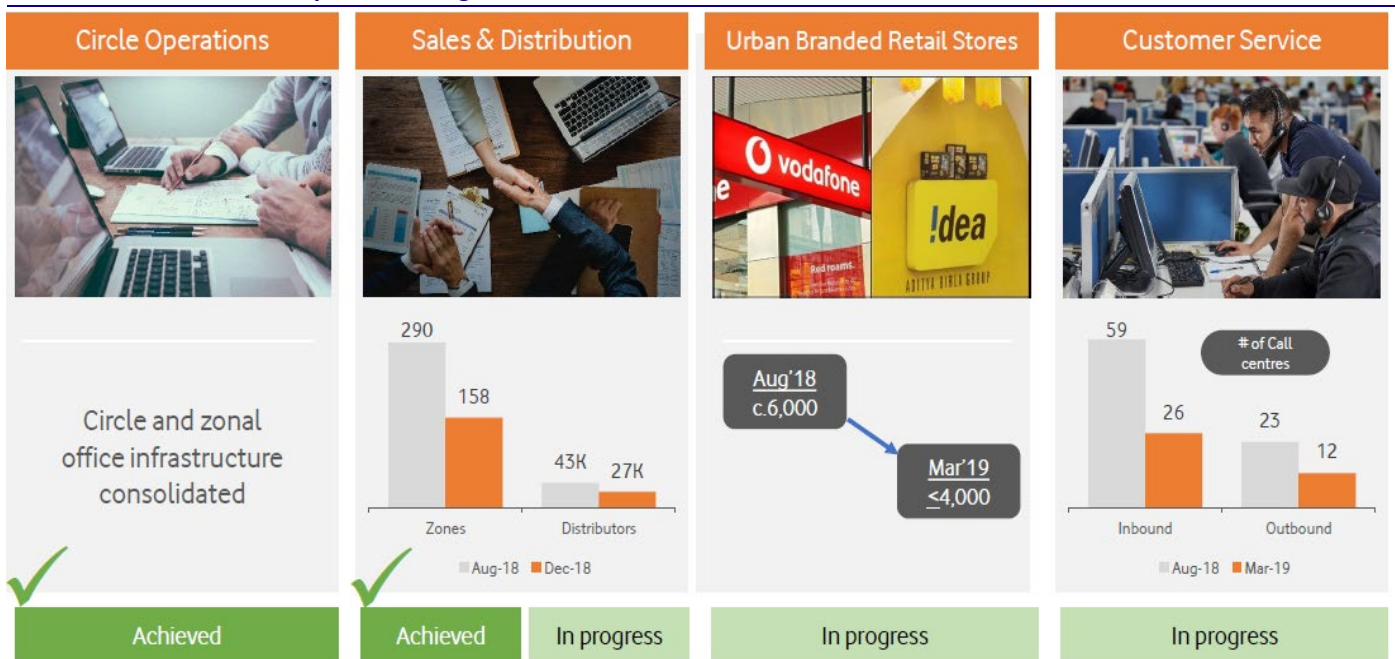
Source: MOSL, Company

Exhibit 24: Vodafone Idea plans to improve ARPU and revenue



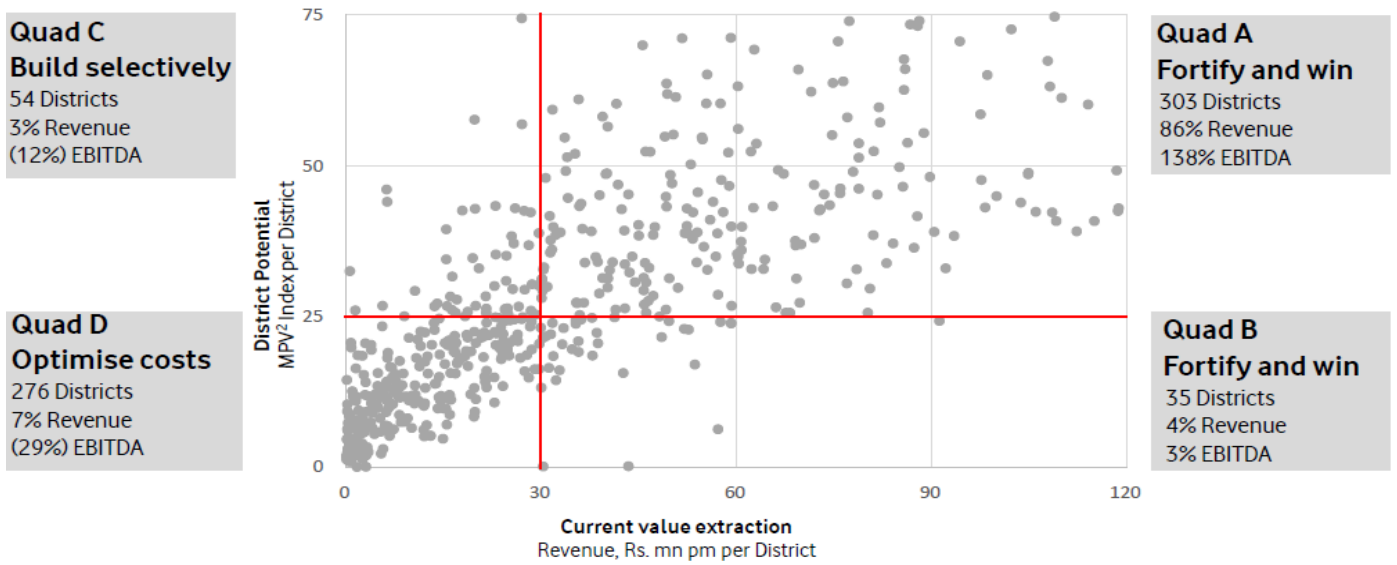
Source: Company, MOSL

Exhibit 25: Vodafone Idea operation integration status



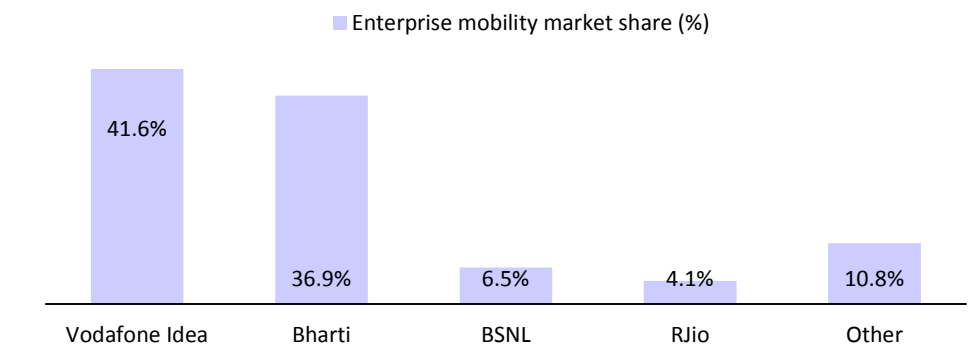
Source: Company, MOSL

Exhibit 26: Vodafone Idea plans to move its focus from circles to key districts {Revenue per district per month, INR m }



Source: Company, MOSL

Exhibit 27: Player-wise market share in enterprise mobility (%)

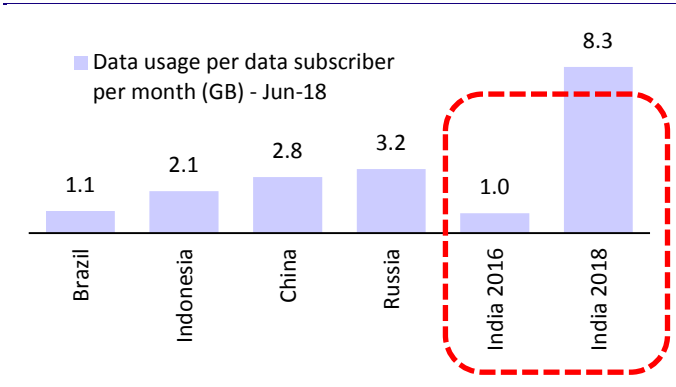


Source: Company, MOSL

Growth opportunities in Indian mobile biz

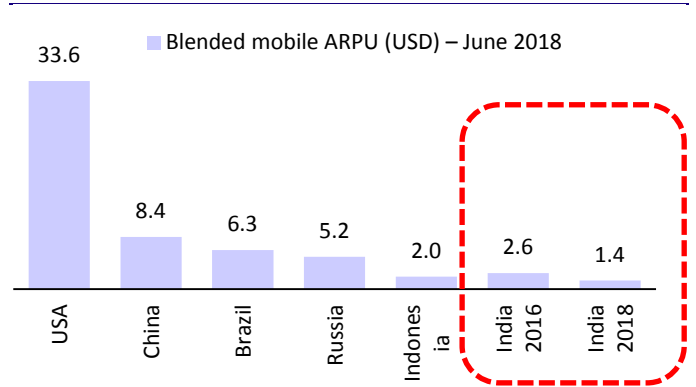
Significant ARPU recovery potential

Exhibit 28: Exponential data growth seen in past 2 years in India



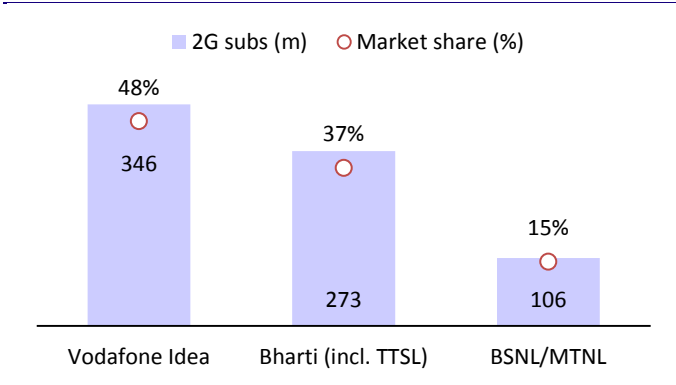
Source: Company, MOSL

Exhibit 29: Significant potential for ARPU improvement in India



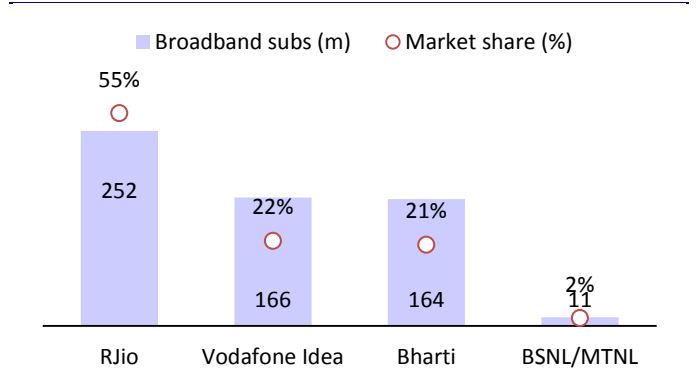
Source: Company, MOSL

Exhibit 30: Mainly two major players in 2G market



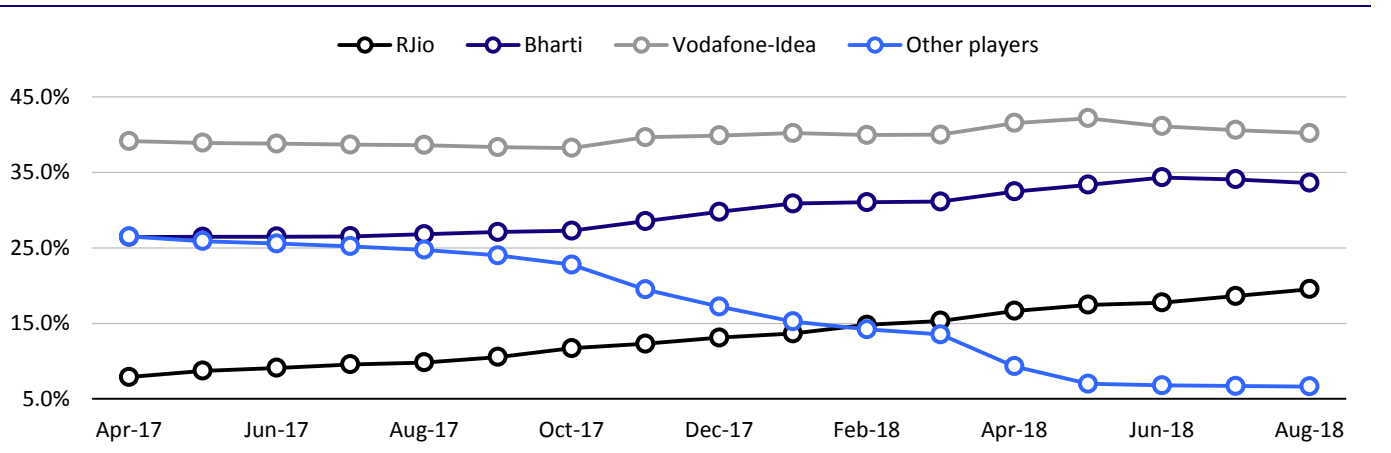
Source: Company, MOSL

Exhibit 31: Mainly three major players in mobile broadband market



Source: Company, MOSL

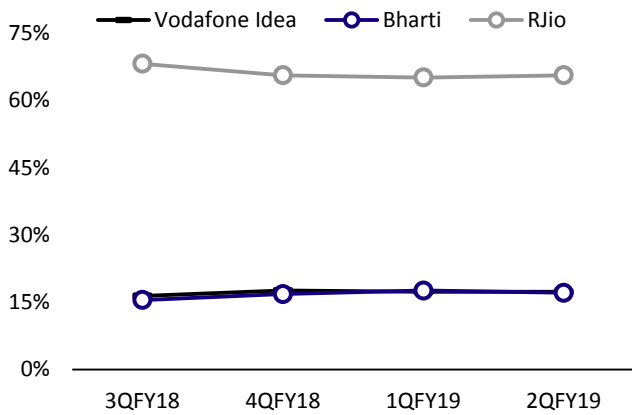
Exhibit 32: Trend in active subscriber market share



Source: TRAI, Company, MOSL

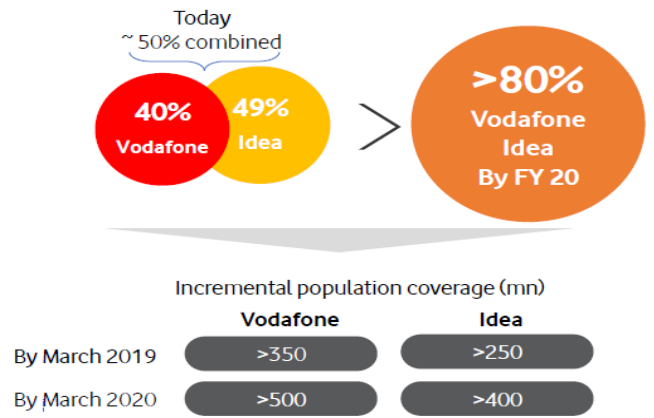
4G potential

Exhibit 33: RJio dominates 4G subscriber market share



Source: Company, MOSL

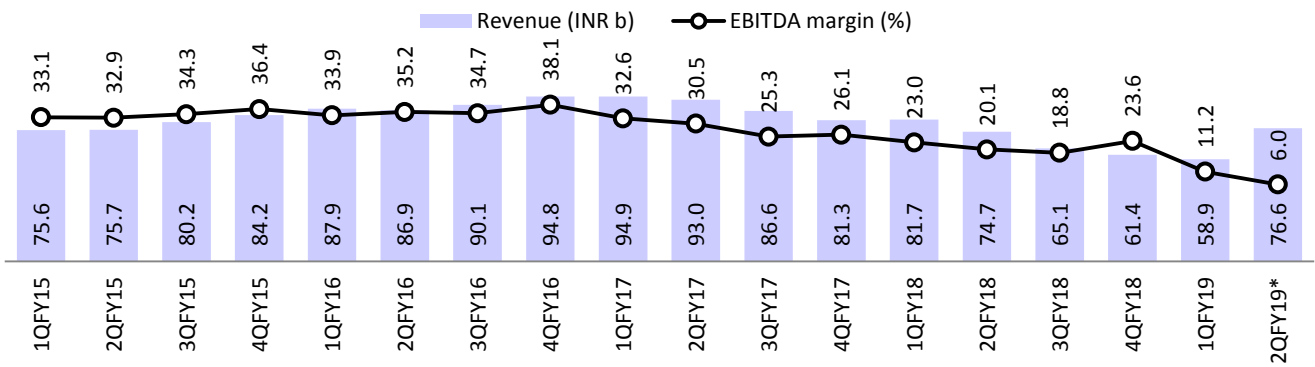
Exhibit 34: Vodafone Idea plans to expand 4G population coverage



Source: Company, MOSL

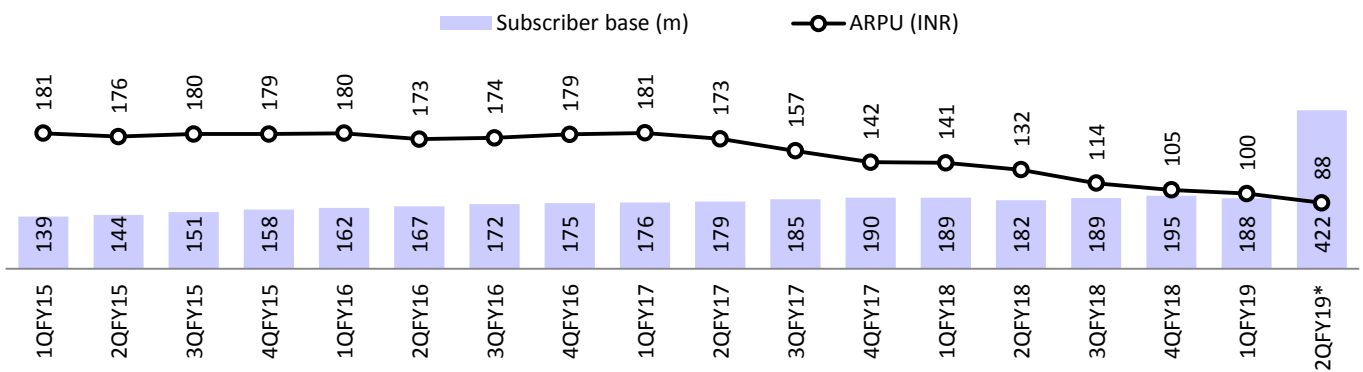
Story in charts

Exhibit 35: Consol. revenue and EBITDA margin in a downward spiral (INR b, %)



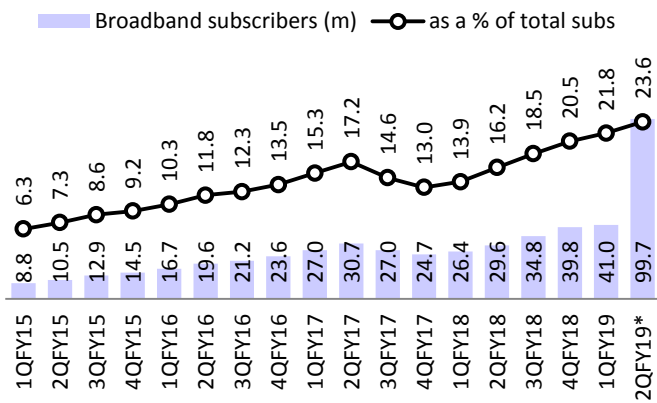
*represents Vodafone Idea merged entity performance

Exhibit 36: ARPU on a continuous downtrend



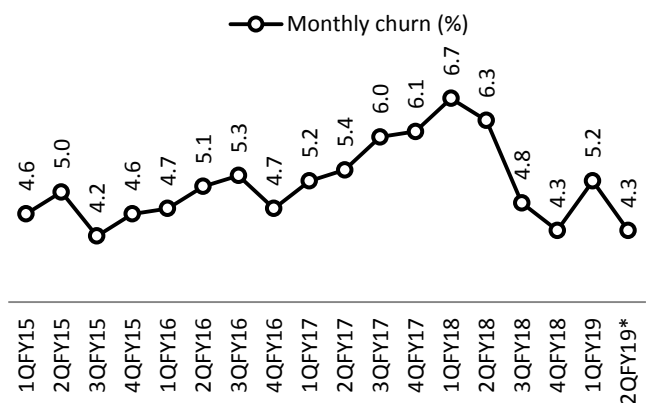
*represents Vodafone Idea merged entity performance

Exhibit 37: Broadband subscriber base ramping-up



*represents Vodafone Idea merged entity performance Source: Company, MOSL

Exhibit 38: Monthly churn reversing the trend (%)



*represents Vodafone Idea merged entity performance Source: Company, MOSL

Financials and Valuations

Consolidated - Income Statement								(INR m)	
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E*	FY20E*	
Total Income from Operations	2,24,577	2,65,189	3,15,709	3,59,494	3,55,758	2,82,789	3,73,505	5,25,401	
Change (%)	14.9	18.1	19.1	13.9	-1.0	-20.5	32.1	40.7	
Total Expenditure	1,64,531	1,81,852	2,07,592	2,39,818	2,52,995	2,22,314	3,28,876	4,02,374	
% of Sales	73.3	68.6	65.8	66.7	71.1	78.6	88.1	76.6	
EBITDA	60,045	83,337	1,08,117	1,19,676	1,02,763	60,475	44,629	1,23,027	
Margin (%)	26.7	31.4	34.2	33.3	28.9	21.4	11.9	23.4	
Depreciation	34,778	45,194	53,036	62,561	78,272	84,091	1,49,739	1,93,390	
EBIT	25,268	38,143	55,081	57,115	24,491	-23,616	-1,05,109	-70,363	
Int. and Finance Charges	9,495	7,700	5,755	18,831	37,342	44,600	97,297	1,31,772	
PBT bef. EO Exp.	15,773	30,443	49,325	38,284	-12,851	-68,216	-2,02,406	-2,02,135	
Share of profits of associates	0	0	0	4,217	4,218	3,224	1,893	1,850	
EO items	0	0	0	0	0	0	-27,987	0	
PBT after EO Exp.	15,773	30,443	49,325	42,501	-8,633	-64,992	-1,72,527	-2,00,285	
Total Tax	5,664	10,765	17,396	15,220	-4,636	-23,310	3,051	0	
Tax Rate (%)	35.9	35.4	35.3	35.8	53.7	35.9	-1.8	0.0	
Minority Interest	0	0	0	0	0	0	0	0	
Reported PAT	10,109	19,678	31,929	27,281	-3,997	-41,682	-1,75,578	-2,00,285	
Adjusted PAT	10,109	19,678	31,929	24,574	-3,997	-41,682	-1,88,399	-2,00,285	
Change (%)	39.8	94.7	62.3	-14.6	-114.7	942.8	321.2	6.3	
Margin (%)	4.5	7.4	10.1	7.6	-1.1	-14.7	-50.4	-38.1	

Consolidated - Balance Sheet								(INR m)	
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E*	FY20E*	
Equity Share Capital	33,143	33,196	35,978	36,005	36,053	43,593	87,351	87,351	
Total Reserves	1,11,073	1,32,073	1,94,314	1,99,501	2,11,269	2,29,031	4,79,649	2,79,365	
Net Worth	1,44,217	1,65,269	2,30,292	2,35,506	2,47,322	2,72,624	5,67,000	3,66,716	
Total Loans	1,40,438	2,06,350	2,68,591	4,05,413	5,50,545	5,79,851	13,82,211	15,33,212	
Deferred Tax Liabilities	11,180	18,133	19,015	19,539	13,218	-11,393	-64,150	-64,150	
Capital Employed	2,95,834	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	18,85,062	18,35,778	
Gross Block	4,67,357	5,16,970	6,18,207	7,13,532	9,06,838	10,20,216	21,36,026	22,96,026	
Less: Accum. Deprn.	1,75,818	2,21,012	2,62,871	61,692	1,39,267	2,23,358	3,73,097	5,66,487	
Net Fixed Assets	2,91,539	2,95,958	3,55,336	6,51,840	7,67,571	7,96,858	17,62,929	17,29,539	
Goodwill on Consolidation	61	61	61	61	61	61	61	61	
Capital WIP	8,811	1,14,194	51,405	60,397	75,351	35,853	1,22,480	1,22,480	
Total Investments	10,280	2,155	1,15,267	34,709	63,783	72,905	1,35,985	1,35,985	
Curr. Assets, Loans & Adv.	53,092	53,206	82,598	54,247	59,912	66,069	2,89,760	3,06,532	
Inventory	726	683	710	1,065	588	367	52	56	
Account Receivables	9,601	8,006	9,789	11,424	13,139	8,874	40,853	43,984	
Cash and Bank Balance	1,429	1,881	15,537	7,691	827	291	2,525	1,845	
Loans and Advances	41,336	42,636	56,562	34,067	45,358	56,537	2,46,331	2,60,647	
Curr. Liability & Prov.	67,949	75,823	86,769	1,40,798	1,55,592	1,30,664	4,26,153	4,58,819	
Account Payables	64,719	68,960	78,013	1,36,418	1,51,551	1,27,333	4,21,426	4,53,730	
Provisions	3,230	6,863	8,756	4,380	4,041	3,331	4,727	5,089	
Net Current Assets	-14,857	-22,616	-4,171	-86,550	-95,681	-64,595	-1,36,393	-1,52,287	
Appl. of Funds	2,95,834	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	18,85,062	18,35,778	

E: MOSL Estimates; *represents Vodafone Idea merged entity performance

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E*	FY20E*
Basic (INR)								
EPS	3.1	5.9	8.9	6.8	-1.1	-9.6	-21.6	-22.9
Cash EPS	13.5	19.5	23.6	24.2	20.6	9.7	-4.4	-0.8
BV/Share	43.5	49.8	64.0	65.4	68.6	62.5	64.9	42.0
DPS	0.3	0.4	0.6	0.6	0.0	0.0	0.0	0.0
Payout (%)	11.5	7.9	8.1	9.5	0.0	0.0	0.0	0.0
Valuation (x)								
P/E			5.0	6.5	-40.0	-4.6	-2.1	-1.9
Cash P/E			1.9	1.8	2.2	4.6	-10.0	-56.3
P/BV			0.7	0.7	0.6	0.7	0.7	1.1
EV/Sales			1.3	1.6	2.0	2.7	4.7	3.7
EV/EBITDA			2.8	4.4	6.3	11.6	36.6	14.5
Dividend Yield (%)			1.4	1.3	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	7.4	12.7	16.1	10.6	-1.7	-16.0	-44.9	-42.9
RoCE	5.9	7.5	8.2	6.4	1.6	-1.8	-7.6	-3.7
RoIC	6.0	9.0	11.7	8.2	1.8	-2.2	-9.1	-4.4
Working Capital Ratios								
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.3	0.2	0.2
Asset Turnover (x)	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.3
Inventory (Days)	1	1	1	1	1	0	0	0
Debtor (Days)	16	11	11	12	13	11	40	31
Leverage Ratio (x)								
Current Ratio	0.8	0.7	1.0	0.4	0.4	0.5	0.7	0.7
Interest Cover Ratio	2.7	5.0	9.6	3.0	0.7	-0.5	-1.1	-0.5
Net Debt/Equity	0.9	1.2	0.6	1.5	2.0	1.9	2.2	3.8

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E*	FY20E*
OP/(Loss) before Tax	10,109	19,678	31,929	42,501	-8,632	-41,682	-1,75,578	-2,00,285
Depreciation	34,778	45,194	53,036	62,561	78,272	84,091	1,49,739	1,93,390
Interest & Finance Charges	9,963	8,564	9,337	20,685	39,736	44,600	97,297	1,31,772
Direct Taxes Paid	-4,110	-6,384	-11,043	-8,611	-6,808	0	0	0
(Inc)/Dec in WC	6,096	5,354	5,540	-3,980	6,960	-23,102	65,497	15,214
CF from Operations	56,836	72,406	88,800	1,13,155	1,09,527	63,907	1,36,955	1,40,091
Others	6,135	9,786	15,379	-3,669	-4,154	-24,611	-52,757	0
CF from Operating incl EO	62,971	82,192	1,04,179	1,09,486	1,05,373	39,296	84,198	1,40,091
(Inc)/Dec in FA	-34,766	-36,448	-41,576	-1,29,118	-1,26,319	-73,880	-12,02,437	-1,60,000
Free Cash Flow	28,205	45,744	62,603	-19,632	-20,946	-34,584	-11,18,239	-19,909
(Pur)/Sale of Investments	0	0	0	1,03,909	-33,472	-9,122	-63,080	0
Others	657	-29,194	-15,680	2,835	4,626	-8,519	8,535	0
CF from Investments	-34,109	-65,642	-57,256	-22,373	-1,55,165	-91,521	-12,56,982	-1,60,000
Issue of Shares	248	263	37,374	175	-4,453	67,497	4,69,954	0
Inc/(Dec) in Debt	-10,368	-15,936	52,355	-86,485	84,297	29,306	8,02,360	1,51,001
Interest Paid	-9,283	-7,682	-6,656	-4,393	-32,800	-44,600	-97,297	-1,31,772
Dividend Paid	-250	-1,306	-2,792	-2,598	-2,599	0	0	0
Others	0	0	0	0	1	-513	0	0
CF from Fin. Activity	-19,653	-24,661	80,280	-93,301	44,445	51,690	11,75,018	19,229
Inc/Dec of Cash	9,209	-8,111	1,27,202	-6,188	-5,346	-535	2,234	-680
Opening Balance	1,521	10,729	3,543	13,879	6,174	827	291	2,525
Closing Balance	1,429	1,881	15,537	7,691	827	291	2,525	1,845

E: MOSL Estimates; *represents Vodafone Idea merged entity performance

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UNDER REVIEW	Rating may undergo a change
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