

Company Report

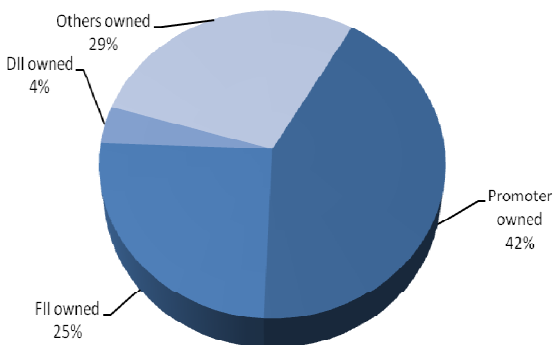
Idea Cellular Ltd.

19th January, 2015**BUY****CMP** **Rs.155.20****Target Price** **Rs.210.00**

BSE Code	532822
Market Cap (Rs Cr.)	55,832.96
52 Week High/Low	177.30/125.10
Industry	Telecom
Face Value	Rs.10.00
Shares O/S	331.96 Cr.

EPS(TTM)	7.34
Book Value	49.78
P/E	21.14
P/B	3.12

Shareholding Pattern



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- Idea cellular, a part of Aditya Birla group, is one of India's leading GSM mobile services operator. This telecom company has licenses to operate in all 22 service areas. The company also offers value-added services like GPRS, call conference, GSM, GPS and also provides customized solutions according to business specific needs.
- The company has registered excellent results for the quarter ending September 2014. The revenues from operations grew by about 20% to Rs.7569.92 crores vs. Rs.6323.26 cr. in the year ago quarter while it grew ~0.12% QoQ. Operating profit climbed sharply by ~49% at Rs.1311.92 crores in Q2FY15 as against Rs.878.59 crores in the Q1FY15. The adjusted net profit stood at Rs.755.88 crore in the Q2FY15 as against Rs.447.61 crore in the previous quarter; registering a sharp growth of ~69%. On the margins front, operating margin climbed about 571bps at 17.33% as against 11.62% on QoQ, while net profit margin expanded 407bps at 9.99% from 5.92% QoQ. EPS Stood at Rs.2.11.

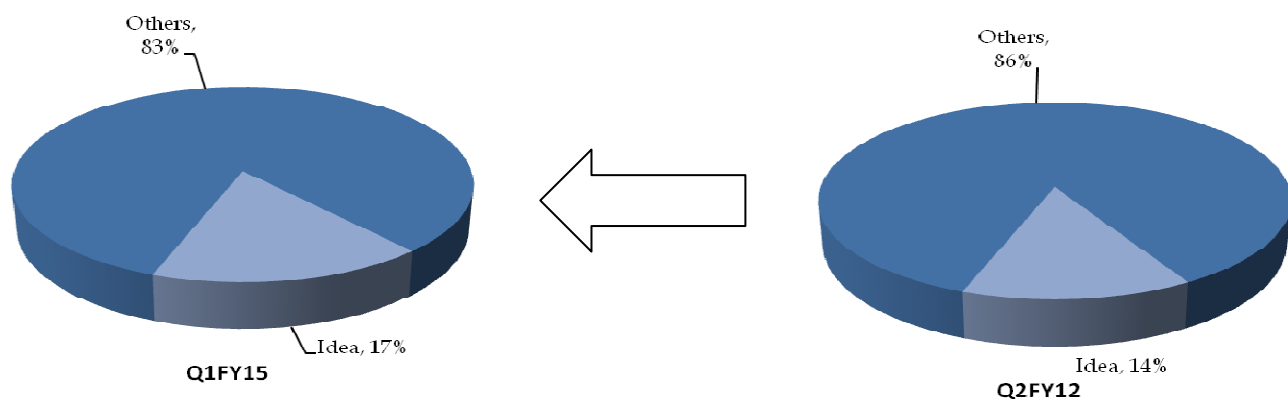
Valuation

Idea Cellular is the fastest growing Indian telecom player with an aggregate market share of 17.1%. Its revenues have grown at a CAGR of 18.60% over Q1FY12 to Q1FY15, outperforming the industry which has grown at a CAGR of 10.70% over the same period. Its market share over the same period has seen a substantial improvement from 13.90% in Q1FY12 to 17.1% in Q1FY2015. Growing revenues; improving balance sheet and increasing market share in a highly competitive market is remarkable; depicting the company's strong execution and brand-building capabilities. We continue to believe that the Indian voice and data market is likely to improve and Idea Cellular with its strong brand equity and superior execution capabilities would ride on the rising wave of this market. Hence we hold a positive view on the company as it is trading at an attractive valuation at 20x and 19x of FY15EPS of Rs.7.58 and FY16EPS of Rs.8.09. We initiate a 'BUY' on the stock with a target price of Rs.210 (appreciation of about 35%) with the medium to long term investment horizon.

Improved Market share

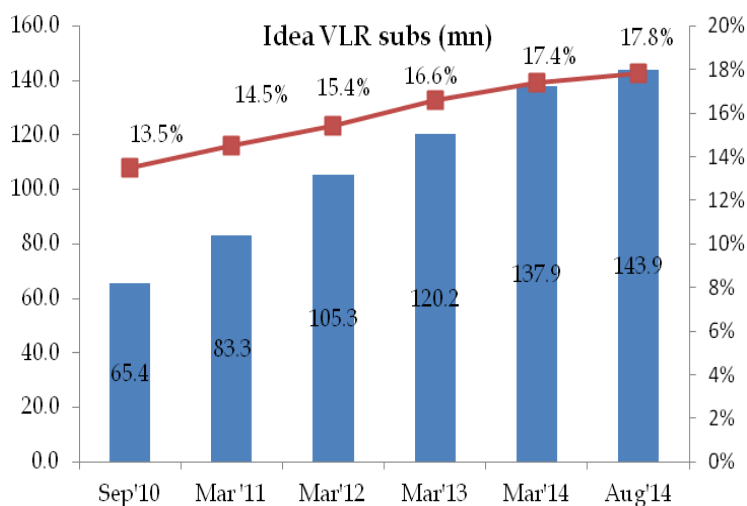
On sequential quarter basis, Idea Cellular has improved its 'Revenue Market Share' to 17.1% by an impressive margin of 0.5%. When comparing Q1FY15 RMS against last year same quarter, the company has improved its share from 16.2% by 90 base points. The incremental RMS during the last one year is at 25.7%, indicating improvement in market standing will continue. Idea Cellular has displayed strong execution, resilience, improvement in market share and strength in balance sheet.

Idea- Steady Revenue Market Share (RMS) improvement



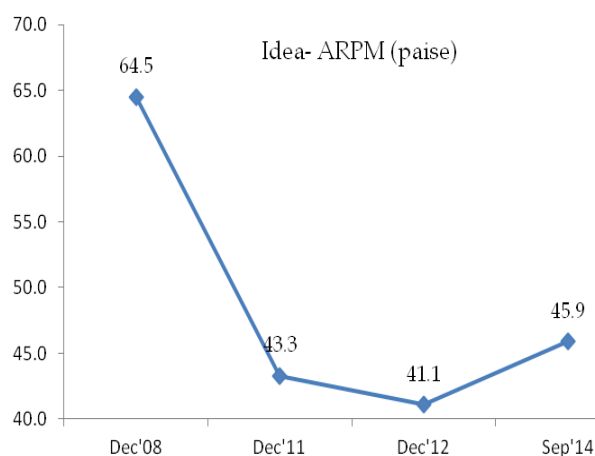
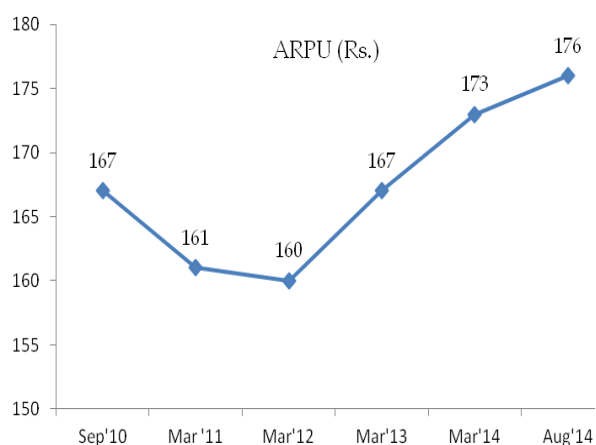
Growth in net subscriber numbers

Idea has exhibited higher than industry subscriber and revenue growth over the past few years. The company has accelerated its Subscriber growth momentum with 4.6 million net New Customer Additions in Q2FY15 quarter. During the last one year Brand Idea has added 20.5 million subscribers on VLR in comparison to 16.0 million Net Subscriber additions between October 2012 to September 2013. With 36.5 million Net Quality Subscriber Additions, the Idea EoP base has swelled by 34% to 143.6 in last 2 years. Apart from this, Idea has been able to garner highest share in the net additions with a net additions market share of 28.7%. The company has steadily strengthened its Subscriber VLR Market share from 16.7% in August 2013 to 17.8% in August 2014, an improvement of 1.1% VLR Market share in the last one year.



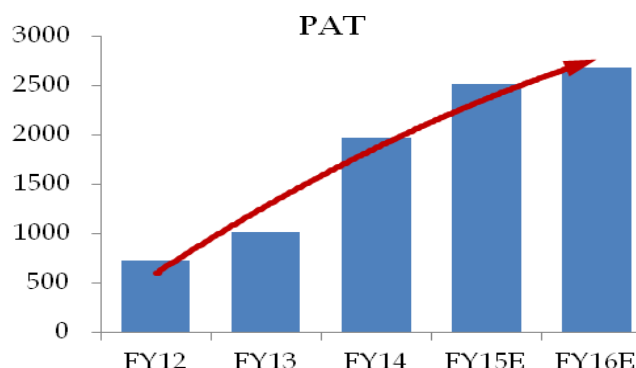
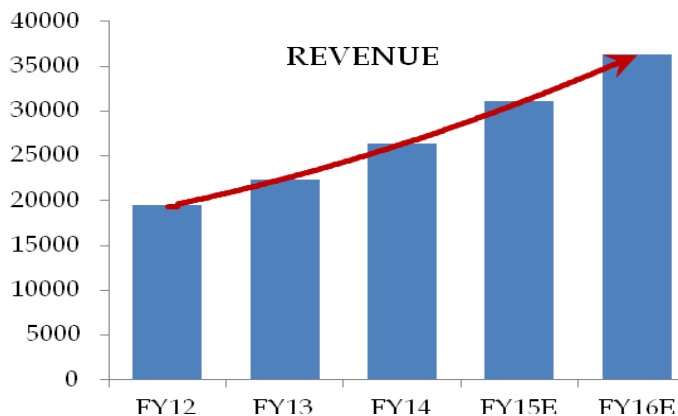
Improved ARPUs & ARPMs

Idea 'Average Revenue per User' (ARPU) improved by sharp 18.9% from Rs.148 ARPU in Q2FY13 to Rs.176 ARPU in Q2FY15. Company's 'Average Revenue per Minute' (ARPMs) has expanded from a low of 41 paise in Q3FY13, to 45.9 paise in Q2FY15. With increased focus on Customer growth, especially from low market share Circles, the subscriber churn levels remained nearly flat at 5.0% in Q2FY15 as against 5.3% in Q2FY14. ARPM improvement and lower churn after period of hyper competition is a sign of reduced competition.



Bid in spectrum auction may create competitive edge

The Union Cabinet has recently approved the proposal to auction 800 MHz, 900 MHz and 1800 MHz spectrum with a reserve price of Rs 3,646 crore MHz, Rs 3,980 crore MHz and Rs 2,191 crore MHz, respectively. The move is positive for the entire telecom space with Idea Cellular benefiting the most on bidding for 900 MHz spectrum. Big players like Bharti Airtel seem to bid aggressively for 2100 MHz spectrum as compared to 900MHz due to huge presence in 900 MHz; thereby making a room for Idea Cellular to bid aggressively under 900 MHz space and mark a presence.



Consolidated Profit & Loss Account

Rs. Crore

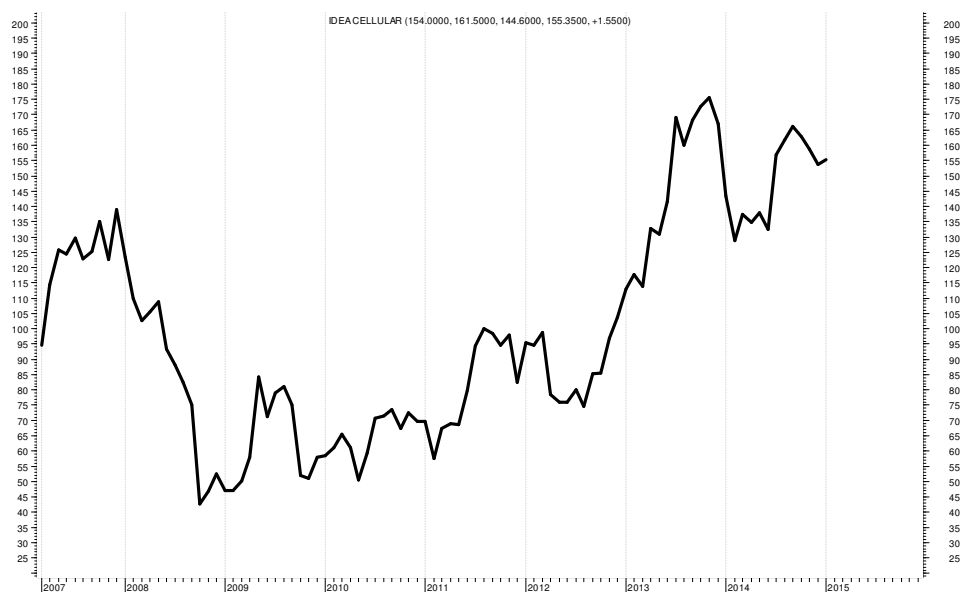
Particulars	FY12	FY13	FY14	FY15E	FY16E
Net sales	19488.69	22407.45	26431.97	31057.56	36337.35
Growth%		14.98	17.96	17.50	17.00
Expenditure	14448.83	16453.12	18185.23	20901.74	24818.41
EBITDA	5039.86	5954.33	8246.74	10155.82	11518.94
Growth%		18.14	38.50	23.15	13.42
EBITDA margin%	25.86%	26.57	31.20	32.70	31.70
Other income	52.48	50.21	86.94	118.02	151.31
Depreciation & Amortisation	2981.34	3477.77	4519.40	5603.48	6712.21
EBIT	2111.00	2526.77	3814.28	4670.36	4958.04
EBIT margin%	10.83	11.28	14.43	15.04	13.64
Interest	1055.73	949.45	770.01	801.49	826.38
PBT	1055.27	1577.32	3044.27	3868.87	4131.66
Tax	332.29	566.40	1076.45	1354.11	1446.08
Adjusted PAT	722.99	1010.93	1967.82	2514.76	2685.58
Growth%		39.83	94.66	27.79	6.79
Net Profit margins%	3.71	4.51	7.44	8.10	7.39
Exceptional item	0.00	0.00	0.00	0.00	0.00
Reported PAT	722.99	1010.93	1967.82	2514.76	2685.58
Equity Capital	3308.85	3314.32	3319.63	3319.63	3319.63
Res. & Surplus	9739.45	10989.04	13205.42	15,468.70	17,885.72
Equity Shares	330.88	331.43	331.96	331.96	331.96
Adjusted EPS	2.19	3.05	5.93	7.58	8.09
Book Value per Share	39.43	43.16	49.78	56.60	63.88
Return on Equity %	5.54	7.07	11.91	13.38	12.66

Quarterly Financial Highlights

Rs. Crore

Particulars	Q2FY15	Q2FY14	Q1FY15	YoY%	QoQ%
Revenues	7569.92	6323.26	7560.99	19.72	0.12
Expenditures	6258.00	6211.65	5444.67	0.75	14.94
Operating Profit	1311.92	1349.34	878.59	(2.77)	49.32
Adjusted Net Profit	755.88	728.20	447.61	3.80	68.87
Exceptional item	-----	-----	-----	-----	-----
Reported PAT	755.88	728.20	447.61	3.80	68.87
OPM%	17.33	21.34	11.62	(401bps)	571bps
NPM %	9.99	11.52	5.92	(153bps)	407bps
Adjusted EPS	2.11	2.16	1.35	(2.31)	56.30

Past Price movement of the stock



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MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

NBFC REGISTERED WITH RBI

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<i>Disclosure of Interest Statement</i>	<i>Company Name</i>
1. Analyst Ownership of the Stock	No
2. Hem & its Group Company Ownership of the Stock	Yes
3. Hem & its Group Companies' Director Ownership of the Stock	Yes
4. Broking relationship with company covered	No

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