

IDEA – SPICE MERGER

- Idea Cellular acquired Spice group stake of 40.8% in Spice communication Ltd at a price of Rs77.30/share.
- It will also make a payment of Rs544 cr to Spice group as non – compete fee.
- Idea & TM International along with their affiliates & associates will make an open offer for an additional 20% stake in Spice.
- The open offer will be made at a price of Rs77.3 per share.
- The board of Idea and Spice also approved the merger of Spice into Idea through a swap ratio which is determined at 49 shares of Idea for every 100 shares of spice.
- Idea will also make a preferential allotment to TMI of 464.73 mn equity shares at Rs156.96 representing 14.99% of Idea's fully diluted equity.

ABOUT SPICE TELECOM

Spice currently offers services in the Punjab & Karnataka states of India. As of 30 April 2008, Spice had 4.4 million subscribers representing 1.7% market share in India and was the second & fifth largest mobile telecommunication service provider in Punjab & Karnataka circles respectively.

RATIONALE BEHIND THE DEAL

Idea will get entry in markets like Punjab & Karnataka which accounts for 11% of India's total wireless subscriber

Idea to consolidate its position with its all India subscriber market share increasing from 9.5% to 11.1%

TMI, an emerging leader in Asian telecommunications with over 44 mn subscribers and presence in 10 countries will grow its presence in Indian telecom sector with shareholding in Idea.

Idea and TMI will develop areas for business co-operation to leverage TMI's strong presence in 10 principal Asian markets, including neighbouring countries like Srilanka & Bangladesh where TMI is a market-leader. TMI's experience of operating 3G in similar markets will be of value to Idea, as also the convergent interests of the 2 companies in areas extending from international traffic to roaming, to mobile value added services etc.

Idea's operations in the 900 MHz GSM spectrum band will increase from the current 7 service areas to 9 service areas, driving scale economies and operational synergies resulting in lower operating and capital expenditure.

IDEA EXPANSION PLAN

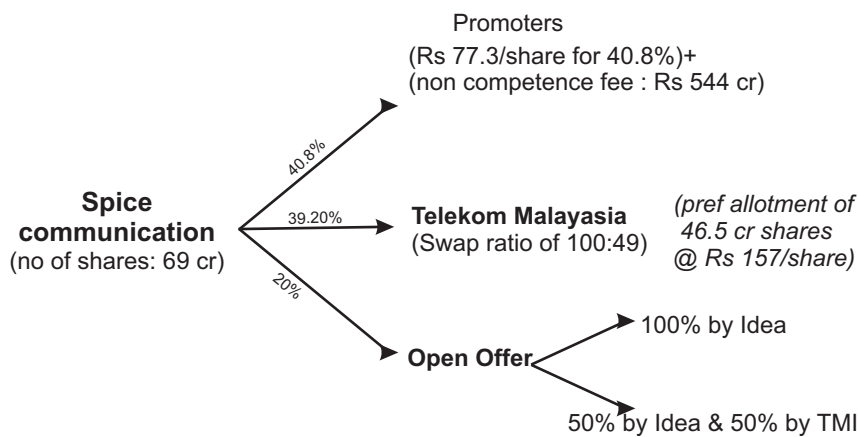
Idea is currently rolling out operations in Mumbai, Bihar, Orissa and Tamilnadu by the year end which will cover most part of India except eastern part. Idea will also roll out in the remaining service areas of Kolkata, West Bengal, Assam, North East and J&K, after receipt of spectrum.

SPICE COMMUNICATION - OPEN OFFER DETAILS

Description	% Holdings
Total Foreign	47.70*
Total Institutions	1.87
Total Non promoter Corporate Holdings	3.65
Total Promoters	40.80
Total Public & Other's	6.62

*** TMI India – 39.20%**

Combined entity of Idea & Spice will hold 80% stake in Spice Telecom. Idea management has indicated that TMI will not participate in open offer which will result into appx 100% acceptance ratio.


IDEA CELLULAR

%of hold. of TMI	(Mode of payment)		
	Cash	Shares	Inflow
	Rs. 2720Cr		
18.1%		Rs. 13.2Cr	Rs. 7294Cr
18.1%	Rs. 1067Cr		
19.1%			

	1	2
Promoters	46.1%	48.1
TMI	19.1%	18.1
No of shares (post dilution)	330.3	330.3

Assumption: Shares acquired through open offer to be converted in Idea shares (not extinguished)

- 1: 50% open offer is made by Idea & 50% by TMI
- 2: If 100% open offer is made by Idea

VIEW

As telecom sector is getting crowded by new entrants, we are witnessing consolidation among the existing players. The recent merger between Spice – Idea is a move in this direction. The deal is positive for the Share-holders of Spice as the deal struck at a substantial premium as compared to prevailing market price and the acceptance ratio in the open offer is also too high. As the cash infusion of Rs 4500 cr will help Idea to make its balance sheet clean and will provide a room for further expansions across India leading to pan India presence. But for Idea shareholders deal will be EPS dilutive in the near term because of the dilution and loss in Spice. But going forward as Idea moves towards Pan India presence, we think that the valuation multiples for the company can improve going forward.