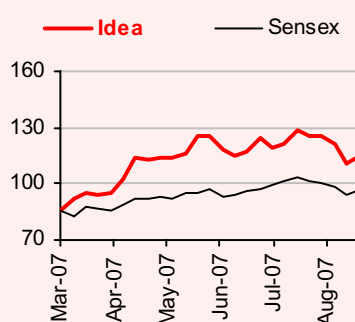


**Key data**

<b>Sector</b>	<b>Telecom</b>
Market cap	Rs298bn / US\$7.2bn
52 Wk H/L (Rs)	136/75
Avg. daily vol. (6 month)	12,815,274

BSE Code	532822
NSE Code	IDEA
Bloomberg	IDEA IN
Reuters	IDEA.BO

Sensex	14,425
Nifty	4,190

**IDEA Vs Sensex**

**Shareholding pattern (%)**
**30-Jun-07**

FII's NRI, ADR/GDR	36.8
MFs and institutions	1.5
Promoters	57.7
Others	4.0

**Absolute returns (%)**

	1 mth	3 mth	12 mth
Idea	(15.0)	(6.3)	N.A.
Sensex	(8.7)	1.5	25.1

# Idea Cellular Limited

**Reduce**
**Current Price: Rs114**
**Target price: Rs125**

## No compelling reasons to buy!

We are initiating coverage on Idea Cellular Limited with a **Reduce** rating and a 1-year forward target price of Rs125, an upside of 9.6%. Our call is based on the following arguments: **a)** The current valuations are unattractive vis-à-vis peers and capture the higher than sector growth for Idea Cellular. **b)** Idea is a pure wireless play compared to RCOM's and Bharti's more diversified businesses. This makes it more sensitive to declining ARPUs than RCOM and Bharti. Margin expansion will be limited on account of higher expenses for entering new circles. **c)** The tower business is unlikely to be a trigger unlike its peers. Consequently, we see no compelling reason to buy Idea when RCOM and Bharti are available at similar or lower valuations. Hence our **Reduce** call.

**Current valuations fully capture the higher than sector growth:** We expect Idea's subscriber base to grow at a CAGR of 44% over FY07-10E which is higher than RCOM's 42.5% and Bharti's 42%. Idea's earnings will grow at CAGR of 53% over FY07-10E partly because of a lower base. However, this is captured in its valuations. Idea currently trades at a premium of 10.1% and 15.6% to RCOM and in line with Bharti on EV/EBITDA of FY09E and FY10E respectively. Thus we find that Idea's current price fully captures its growth.

**Lower diversification- Idea is a pure wireless play:** Idea's business model offers a pure wireless play compared to RCOM's & Bharti's more diversified plays. This means that declining ARPUs will have a higher impact on Idea compared to RCOM and Bharti. Also, in the long run, growth will be stunted on account lower of the diversification. Idea will soon enter new circles like Mumbai where it has been allocated spectrum, and Bihar. This will limit its margin expansion in the near term as it will have to incur higher expenses to build its business in the newer circles.

**No triggers from the tower business:** Idea is unlikely to ambitiously pursue the tower business given its relatively high leverage. So, unlike its peers it has no triggers outside its telecom business.

**Our multistage DCF model values Idea at 1-year forward price of Rs125.** Given the nature of Idea's business and the fact that it is still going through the relatively early part of its growth cycle, where growth rates are very sharp, we have valued it using a DCF approach. Our target price translates into an implied P/E multiple of 19.9x on two year forward earnings. While we do see absolute upside from the current levels we expect Idea to underperform its peers and the market. Hence our **Reduce** call.

**Financials**

Year to 31 March	FY03	FY04	FY05	FY06	FY07	FY08E	FY09E	FY10E
Net Revenues (Rs mn)	9,403	12,965	22,464	29,489	43,664	68,907	96,989	125,266
EBITDA (Rs mn)	2,436	3,755	8,117	10,508	14,637	23,388	32,965	42,985
PAT adj (Rs mn)	(3,028)	(2,358)	765	2,118	5,033	12,420	14,570	19,455
EPS adj (Rs)	(1.4)	(1.0)	0.3	0.9	2.1	4.7	5.5	7.4
EPS diluted (Rs)	(1.4)	(1.0)	0.3	0.9	2.1	4.7	5.5	7.4
EPS growth (%)	nmf	nmf	nmf	176.7	121.3	127.2	17.3	33.5
P/E (x)	nmf	nmf	nmf	121.6	55.0	24.2	20.6	15.4
RoE (%)	nmf	nmf	8.6	20.7	22.5	35.0	32.6	31.5
RoCE (%)	nmf	1.9	10.1	12.0	13.4	19.0	21.5	22.0
Price/BV (x)	27.0	30.2	28.0	22.9	8.8	8.0	5.8	4.2
EV/EBITDA (x)	132.0	85.9	41.3	31.6	21.8	14.5	10.7	8.2
EV/Sales (x)	34.2	24.9	14.9	11.3	7.3	4.9	3.6	2.8

Source: Company, Religare Institutional Equity Research

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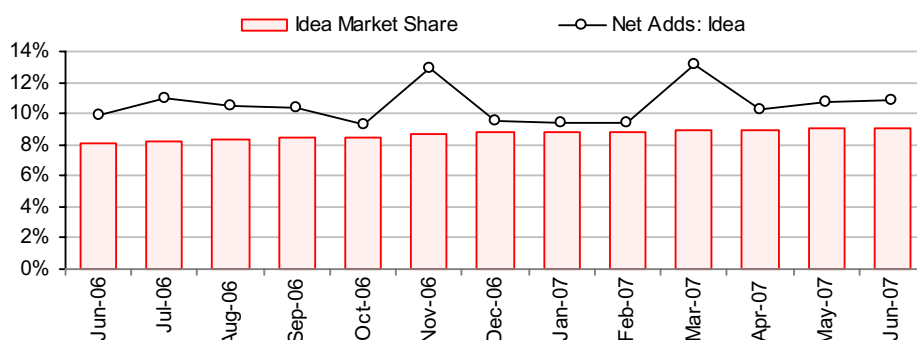
## Current valuations fully capture the higher than sector growth

We expect India's wireless subscriber base to grow at the CAGR of 38% over FY07-10E translating into a subscriber base of 426mn by the end of FY10. We expect Idea to clock a CAGR of 44% in subscriber growth to reach 42.6mn subscribers in the same period. Idea currently operates in 11 circles. Of these, 3 i.e. HP, Rajasthan and UP (E) are new, where operations started only in 2HFY07. Idea has recently been allotted spectrum for the Mumbai circle and expects to start operations by 4QFY08. It also has the license for the Bihar circle and is expected to start operations in FY09. We expect Idea to be allotted spectrum for some additional circles and start operations in these circles in FY10.

### Idea Cellular's organic growth will remain strong

Idea Cellular's organic growth will remain strong in the forthcoming years, given its lower base and renewed focus. Idea has performed remarkably well in the last 12 months and has gained market share in each of the 12 months. Idea and Bharti are the only operators who have consistently gained market share in the last 12 months.

**Figure 1.1: Idea market share Vs Net adds market share**



Source: Religare Institutional Equity Research, COAI, AUSPI

A look at the circle wise performance for Idea Cellular provides further insights into its performance. Idea Cellular has gained market share in 8 of the 11 operational circles in the last 12 months. Idea has strong execution skills. We have factored these aspects into our model and expect Idea to outperform the telecom market for the next three years as far as subscriber addition is concerned.

**Figure 1.2: Idea Cellular's circle wise performance**

City/Circle	Operators	Jun-07	Rank	Jun-06	Rank	Market share gain
<b>Circles where Idea Cellular gained market share</b>						
Rajasthan	Idea Cellular	5.0%	6	0.0%	NA	5.0%
Kerala	Idea Cellular	22.8%	2	18.0%	3	4.8%
U.P.(E)	Idea Cellular	4.3%	6	0.0%	NA	4.3%
Delhi	Idea Cellular	13.0%	5	10.4%	6	2.5%
H.P	Idea Cellular	2.2%	7	0.0%	NA	2.2%
A.P.	Idea Cellular	15.1%	3	13.4%	4	1.7%
Haryana	Idea Cellular	18.2%	3	17.0%	3	1.3%
M.P.	Idea Cellular	23.6%	2	22.7%	3	0.9%
<b>Circles where Idea Cellular lost market share</b>						
Gujarat	Idea Cellular	15.7%	3	16.7%	2	-1.0%
Maharashtra	Idea Cellular	24.9%	1	26.2%	1	-1.3%
U.P.(W)	Idea Cellular	20.1%	2	22.0%	1	-1.9%

Source: Religare Institutional Equity Research, COAI, AUSPI

We have projected a stable market share in the 8 older circles and a market share gain in the 3 new circles. This translates into an overall market share of 10% by the end of FY10. We expect revenues to grow at 42% CAGR over FY07-10E on the back of a high growth in its subscriber base and market share gains. The EPS CAGR is expected to be 53% over the next three years.

**Figure 1.3: Business Details**

Year ending March	FY06	FY07	FY08E	FY09E	FY10E
Revenues	29,489	43,664	68,907	96,989	125,266
% growth	31.3	48.1	57.8	40.8	29.2
EBITDA	10,508	14,637	23,388	32,965	42,985
EBITDA margin %	35.6	33.5	33.9	34.0	34.3
EBITDA growth%	29.5	39.3	59.8	40.9	30.4
Year ending subscribers in mn	7.4	14.3	23.0	32.5	42.6
% growth	45.3	93.6	61.5	40.9	31.4
Average subscribers	6.1	10.8	18.6	27.7	37.6
% growth	37.7	76.6	72.4	48.8	35.3
ARPU	401	337	308	291	278
% drop	11.0	16.1	8.5	5.4	4.6
Subscribers/Employee	2041	2630	3156	3787	4166
% growth	78.1	28.9	20.0	20.0	10.0
EBITDA per subs	1716	1354	1254	1188	1145
% drop		(21.1)	(7.3)	(5.3)	(3.6)

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

Our estimates are above consensus and by no means are conservative as we have tried to capture the above average growth rates for Idea Cellular.

**Figure 1.4: Religare vs Consensus**

	EPS (Rs)			EBITDA (Rs mn)			Revenue (Rs mn)		
	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Religare	4.7	5.5	7.4	23,388	32,965	42,985	68,907	96,989	125,266
Consensus	3.8	5.1	7.0	23,400	32,713	42,762	68,904	96,333	122,602
Deviation (%)	23.1	8.4	5.5	0.0	0.8	0.5	0.0	0.7	2.2

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

### Enchanting growth but priced in

We find Idea's growth story enchanting but priced in. Idea will grow faster than any other Indian telco but on valuations, it is the most expensive stock which we find hard to justify. A look at comparative valuations for Idea vis-à-vis industry leaders Bharti and RCOM based on their FY09 and FY10 numbers illustrates this.

**Figure 1.5: Valuation summary**

Telecomm unications	Price (Rs)	Rating	Market Cap (Rs mn)	Adj. EPS			P/E (x)			PEG	EV/EBITDA (x)			EV/EBITDA- CAGR	EBITDA margin (%)			P/BV(x)		
				FY08E	FY09E	FY10E	FY08E	FY09E	FY10E		FY08E	FY09E	FY10E		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
BHARTI ARTL	866	Buy	1,641,936	32.4	46.3	59.5	26.7	18.7	14.6	0.37	14.8	10.6	8.2	0.22	41.4	42.5	43.6	8.3	5.7	4.1
RCOM	499	Buy	1,021,203	21.8	28.0	38.7	22.9	17.8	12.9	0.36	13.8	9.7	7.1	0.20	41.1	41.8	43.0	3.9	3.2	2.6
IDEA	114	Reduce	299,524	4.7	5.5	7.4	24.2	20.6	15.4	0.29	14.5	10.7	8.2	0.19	33.9	34.0	34.3	8.0	5.8	4.2

Source: Religare Institutional Equity Research, Company

Idea Cellular is the most expensive telco in the Indian business. It trades at a premium to industry leaders RCOM and Bharti on most parameters. Therefore we believe that Idea's growth story is priced in and the stock will under perform its peers in the next year.

Idea has a lower earnings base and hence it will grow faster than the industry. It is cheaper than Bharti and RCOM on PEG basis, but this is also because it will pay way little tax in FY07-10 due to accumulated losses and 80IA benefits. Idea's tax rate will catch up with its peers in the future.

**Figure 1.6: Tax rate**

Tax rate (%)	FY07A	FY08E	FY09E	FY10E
Bharti	11.9	16.0	17.3	20.0
RCOM	1.9	5.5	9.1	12.5
Idea	1.2	0.7	5.9	10.9

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

On EV/EBITDA upon EBITDA CAGR, Idea is only marginally cheaper. We therefore do not find a compelling reason to buy Idea Cellular when fundamentally stronger players like RCOM and Bharti are available at lower or similar valuations.

## Idea is a pure wireless play v/s it's more diversified peers

Idea Cellular operates primarily in the wireless domain. It started its NLD operations in FY07 but this caters mainly to its captive subscribers. Thus the wireless business is the primary revenue generator. RCOM and Bharti on the other hand are present in all the key telecom domains i.e fixed line, enterprise services, broadband and wholesale voice and data. More than 20% of their revenue comes from their non wireless businesses. This means that Idea Cellular's business is highly sensitive to a fall in ARPU compared to Bharti and RCOM which have a substantial presence in other telecom domains. Moreover, In the absence of non-wireless businesses, Idea's longer-term growth will be slower, once wireless growth slows on reaching wireless teledensity levels of 40%- as is the case in China.

### Idea is highly vulnerable to a fall in ARPUs

We have assumed that Idea's ARPU will drop by 17% in the next three years compared to RCOM's 24% and Bharti's 23% because of its lower base. A Sensitivity analysis of Idea's ARPU provides a better picture of the possible risks associated with ARPU disappointments. The table below illustrates the effects of a 1% drop in ARPU for FY08E on Idea, RCOM and Bharti.

**Figure 2.1: Idea vs Bharti ARPU sensitivity**

ARPU sensitivity on FY08E	Revenue %	EBITDA %	PAT %
Bharti	(0.76)	(1.06)	(1.64)
RCOM	(0.69)	(0.91)	(1.56)
Idea Cellular	(0.95)	(2.04)	(3.84)

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

We can see that Idea's earnings are 2.3x and 2.5x as sensitive as Bharti's and RCOM's respective earnings to ARPU drops. Idea Cellular is not a dominant player in most circles and market share gains will come at a cost. As competitive activity is rising, a higher than expected drop in ARPU cannot be ruled out. Idea's customers are largely prepaid and it has the lowest percentage of postpaid customers. Postpaid subscribers provide stability to cash flows. Idea's weakness in this segment means that a higher than expected drop in ARPUs could well be a reality.

### Competitive activity will rise

Idea Cellular currently operates in 11 circles. It also has the license to start operations in the highly competitive metro circle of Mumbai and the C category circle of Bihar, where it is awaiting spectrum allocation. All the circles have 6 or more operators and all are well funded. A look at the circle wise penetration and market share of operators gives us an idea about the scope for Idea Cellular in the various circles.

**Figure 2.2: Circle Teledensity and market shares**

Circle	Wireless Teledensity	Idea June 2007 Market share (%)	Idea Rank Jun-07	Idea June 2006 Market share (%)	Idea Rank Jun-06	Idea Market share gain (bps)	RCOM	Bharti	Vodafone Essar	BSNL/MTNL	TTSL
	Jun-07						June 2007 Market share				
Maharashtra	15.8	24.9	1	26.2	1	(131)	16.4	21.9	10.4	17.6	8.9
Kerala	23.2	22.8	2	18.0	3	482	18.9	14.2	14.1	24.9	5.0
U.P.(W)	12.1	20.1	2	22.0	1	(192)	17.0	14.0	22.6	17.7	8.8
M.P.	8.0	23.6	2	22.7	2	91	33.5	21.5	NA	16.7	4.7
Gujarat	24.4	15.7	3	16.7	3	(101)	15.7	14.4	39.0	10.8	4.4
A.P.	18.1	15.1	3	13.4	4	171	19.9	29.4	12.4	13.5	9.8
Haryana	24.3	18.2	3	17.0	3	126	11.3	16.7	19.8	23.5	10.4
Delhi	60.8	13.0	5	10.4	6	254	14.2	27.0	21.4	9.2	15.3
U.P.(E)	10.0	4.3	6	0	NA	431	18.7	16.6	29.0	26.0	5.4
Rajasthan	15.8	5.0	6	0	NA	502	13.8	26.0	20.8	24.9	9.4
HP	22.2	2.2	6	0	NA	216	18.0	41.8	NA	31.7	5.3
<b>Total</b>	<b>19.0</b>	<b>19.0</b>	<b>5</b>	<b>17.0</b>	<b>5</b>	<b>199</b>	<b>21.6</b>	<b>25.3</b>	<b>22.9</b>	<b>20.8</b>	<b>9.5</b>
Mumbai	55.6	0	NA	NA	NA	NA	24.7	25.2	33.8	18.9	10.3
Bihar	7.0	NA	NA	NA	NA	NA	34.3	39.7	NA	17.5	7.1

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

We can see that the teledensity in most circles except for the Metros is still quite low. This implies that there is still a lot of scope for growth for all the operators. Most of the census towns are covered but a substantial portion of the non census towns and villages are not yet under coverage. Idea will significantly expand its network coverage of both the census and non census towns. This will help Idea in keeping net additions rising at healthy rate.

#### **Idea's market position – 5 out of 6**

- Idea is the top operator in Maharashtra but is losing market share to Bharti. In the last 12 months it has lost 131bps of market share in Maharashtra.
- Idea is the No. 2 operator in Kerala, UP (W) and MP. All these circles are category B circles. In the last 12 months Idea has gained market share in Kerala and M.P. by 412bps and 91bps respectively, and it has lost market share in UP (W) by 192 bps.
- Idea is the No.3 in Gujarat, A.P and Haryana. Gujarat and A.P. are category A circles and Haryana is a category B circle. Idea has lost market share by 101bps in Gujarat and has gained market share in A.P and Haryana by 171bps and 126bps respectively in the last 12 months.
- In Delhi, Idea is ranked 5<sup>th</sup> and in new circles it is at the bottom as it has recently started operations. Idea has gained market in Delhi by 254bps in the last 12 months.
- Idea is the No.6 player in the new circles of HP, UP (E) and Rajasthan.
- Taking a consolidated view for Idea's operational circles, we see that Idea is ranked 5<sup>th</sup> in terms of market share for the 11 circles. In the 11 operational circles of Idea has gained market share by 199bps in the last 12 months.

**Figure 2.3: Market share movt. In Idea's circles**

	RCOM	Bharti	Vodafone Essar	BSNL/ MTNL	Idea	TTSL
June 2007 Market share (%)	21.6	25.3	22.9	20.8	19.0	9.5
June 2007 Rank	3	1	2	4	5	6
June 2006 Market share (%)	25.5	22.8	21.0	22.2	17.0	8.5
June 2006 Rank	1	2	4	3	5	6
Market share gain (bps)	(394)	254	187	(140)	199	95

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

The market share gains have come because of RCOM and BSNL losing market share in the last 12 months. RCOM disconnected 5.6mn subscribers on an all India basis as it was unable to successfully verify these subscribers. All the private GSM operators Vodafone-Essar, Bharti and Idea have gained market share in the last 12 months. Of late, RCOM is showing a recovery in its market share, while BSNL continues to lost share.

We see that Idea is an average GSM operator in terms of market share in the older circles. Idea does not have an overwhelming dominance like RCOM in MP or Bharti in Bihar and Delhi or Vodafone-Essar in Gujarat in any of the circles. Also, in its dominant circles like UP (W) and Maharashtra, Idea is losing market share. Although, Idea is among the top 3 operators in its older circles where it was the first entrant, its market share is either in the mid teens or early twenties. This gives us a sense of Idea's relative strength. It is not the most preferred operator in most circles.



### Current competitive activity is far from peaking

The table below shows the level of competition in each of Idea's licensed circles, based on the Hirschman Herfindahl Index (HHI).

**Figure 2.4: Hirschman Herfindahl Index**

City/Circle	Number of operators	June 2007 HHI	Concentration level	Lowest possible HHI in existing scenario	Jun-06 HHI	Jun-05 HHI	Jun-04 HHI	Decline in HHI over 2004-2007	Possible operators by FY10	Lowest Possible HHI by FY10
A.P.	6	1,918	High	1,667	1,923	1,959	1,960	43	8	1,250
Delhi	6	1,873	High	1,667	1,863	2,158	2,428	555	8	1,250
Gujarat	6	2,358	High	1,667	2,266	2,115	2,297	-62	8	1,250
H.P.	7	2,959	High	1,429	3,649	4,187	4,300	1,341	8	1,250
Haryana	6	1,793	Moderate	1,667	1,723	1,970	2,198	404	8	1,250
Kerala	6	1,925	High	1,667	2,135	2,147	2,090	165	8	1,250
M.P.	6	1,912	High	1,667	1,923	2,062	2,210	298	8	1,250
Maharashtra	6	1,861	High	1,667	1,929	2,117	2,275	414	8	1,250
Rajasthan	6	2,035	High	1,667	2,266	2,513	2,554	520	8	1,250
U.P.(E)	6	2,190	High	1,667	2,400	2,716	3,602	1,412	8	1,250
U.P.(W)	6	1,783	Moderate	1,667	1,820	2,171	2,735	952	8	1,250
Mumbai	6	1,900	High	1,667	1,898	2,076	2,254	359	8	1,250
Bihar	6	2,500	High	1,667	2,451	2,586	3,607	1,079	8	1,250

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

Hirschman Herfindahl Index (HHI) is the sum of squares of the market share of each operator. The ranges for the determination of concentration levels are as follows:

**HHI > 1800:** High concentration indicating low competitive intensity

**1800 > HHI > 100:** Moderate concentration indicating moderate competition

**HHI < 1000:** Low concentration indicating high competition.

Decreases in the HHI generally indicate a loss of pricing power and an increase in competition, whereas increases imply the opposite. Increase or decrease of HHI by 100 is considered significant.

We see that most of the markets still exhibit a higher degree of concentration implying low competitive intensity. Although, all the circles have at least 6 players, the HHI exhibits high concentration because almost all the circles have only one or two dominant players with market shares much above the average. Over the period 2004-2007 HHI has dropped by more than 100 points in 11 of the 13 circles indicating a significant increase in competitive intensity. We expect this trend to continue for the period FY2007-10.

Recent media reports have indicated that TRAI is proposing to allow unlimited players per circle and also allow CDMA operators to offer GSM services subject to availability of spectrum. If the TRAI proposals are accepted by the DoT, the number of operators per circle could easily go upto 8. The current level of competition could increase drastically going forward. We also expect the leading operators to adopt predatory pricing techniques to maintain their leadership. The immediate impact of higher competition will be on ARPUs. As Idea Cellular has a higher sensitivity to ARPUs compared to Bharti and RCOM, it will be affected the most in a scenario of rising competitive activity.

### **Idea's Brand positioning is that of low cost operator**

Idea has largely been a follower of the leading GSM operators Bharti and Vodafone-Essar. Idea has positioned itself as a low cost value for money operator. The brand image of Idea Cellular is primarily that of 'youth'. This is a good market segmentation strategy but does not attract the high ARPU subscribers.

We believe that Idea's net addition rate is primarily driven by sales channel schemes and better customer offers compared to the Bharti, Vodafone-Essar and RCOM. Idea's brand positioning is also borne out by its ARPU which is much lower than Bharti and RCOM. The table below shows the FY07 ARPU.

**Figure 2.5: Circle wise ARPU**

	Idea	Remarks on Idea ARPU	(%) Deviation with leader	Bharti	RCOM	Vodafone- Essar
Delhi	374	Lowest	(30.1)	535	508	532
Maharashtra	358	Highest	7.1	340	326	334
Gujarat	280	Lowest	(28.7)	308	335	392
A.P.	362	Lowest	(5.7)	403	379	384
Kerala	355	Lower than RCOM	(25.2)	316	474	269
Haryana	362	Lower than Bharti and RCOM	(18.6)	445	420	331
U.P.(W)	327	Lowest	(6.9)	330	340	351
U.P.(E)	336	Lower than Bharti and Voda-Essar	(3.8)	349	310	339
Rajasthan	353	Lower than Bharti and RCOM	(12.4)	403	389	283
M.P.	352	Highest	27.7	276	304	NA
HP	295	Lowest	(47.3)	436	559	NA
Bihar	NA	NA	NA	321	335	NA
Mumbai	NA	NA	NA	453	509	652

Source: TRAI, COAI, Religare research.

Idea Cellular has lower ARPUs in most of circles compared to the leading wireless operators RCOM, Bharti and Vodafone-Essar, except in Maharashtra and MP where it is the leading operator. This clearly indicates that there is a correlation between market leadership and ARPUs. Idea will have to increase its expenditure towards improving its brand image and awareness to get high ARPU subscribers. We thus see that Idea will have a higher churn and less stable ARPUs in the long run compared to leading operators and the ARPU gap between Idea and the market leaders will persist.

### **Postpaid subscriber base falling**

In 1QFY08, Idea's reported prepaid netadditions as a percentage of total netadditions was 100.2. This clearly indicates the higher churn and negative net additions of postpaid subscribers. Idea's postpaid subscriber net addition rate has been falling and we expect this trend to continue. As illustrated earlier, Idea is not the strongest of brands hence its postpaid subscriber base will continue to remain low. Postpaid subscribers are very critical to all operators as their ARPU and stickiness is higher. Operators with a substantial postpaid subscriber base like Bharti, Vodafone-Essar and RCOM will have stable ARPUs in the long run. Weakness in the postpaid segment is a serious threat to ARPU disappointments for Idea Cellular.

### Accounting for Lifetime schemes

Idea Cellular recognizes lifetime time charges upfront instead of amortizing them over the expected lifetime of the subscriber. This is an incorrect practice which overstates revenues in the near term and understates them in the long run. The accounting practice followed by Idea is another reason for possible higher than industry ARPU disappointments in future.

### Margin expansion will be limited in the near term

Idea Cellular is an established operator in only 8 circles which are its revenue drivers. Idea has spectrum in the 900MHz band in 7 of its 8 established circles. The 900MHz band ensures lower network costs and allows Idea to compete effectively in these 7 circles. It has spectrum in the 1,800MHz in Delhi. We expect margins to expand in the 8 older circles largely on account of operating leverage. As Idea expands its foot print in these circles and garners more subscribers we expect staff costs and SG&A to come down as a percentage of sales leading to margin expansion as is the case with leading operators.

**Figure 2.6: Established circles details**

Established circles	FY06	FY07	FY08E	FY09E	FY10E
Revenue	29,489	43,073	63,815	85,482	104,698
Costs	18,981	27,579	39,314	51,189	62,352
EBITDA	10,508	15,494	24,501	34,292	42,346
EBITDA margin (%)	35.6	36.0	38.4	40.1	40.4
Subscriber ending	7.4	13.6	21.0	28.5	35.7
Growth (%)	45.3	84.7	54.3	35.9	25.1
Average subscribers	6.1	10.5	17.3	24.8	32.1
Growth (%)	37.7	71.3	65.0	43.1	29.7

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

Although margins will rise in the established circles, the new circles are yet to breakeven. Idea started operations in HP, Rajasthan and UP (E) in 2HFY07. These markets are highly concentrated and teledensity is still low. Idea will gain market share in these circles but market share gains will come at a cost.

**Figure 2.7: New circles details**

New circles (UP(E), HP, Rajasthan)	FY06	FY07	FY08E	FY09E	FY10E
Revenue	nmf	591	5,058	10,239	15,030
Costs	nmf	1,448	5,371	9,584	13,262
EBITDA	nmf	(857.00)	(312.03)	655.21	17,67.64
EBITDA margin (%)	nmf	(145.0)	(6.2)	6.4	11.8
Subscriber ending	nmf	0.7	2.0	3.2	4.4
Growth	nmf	nmf	201.0	63.9	38.3
Average subscribers	nmf	0.3	1.3	2.6	3.8
Growth (%)	nmf	nmf	301.0	98.1	48.0

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

We expect the new circles to breakeven only in FY09. Rising competition could play a spoilsport but circles like UP(E) and Rajasthan offer enough scope for operators to grow as they have low teledensity.

**Figure 2.8: Mumbai, Bihar and new circles**

<b>Mumbai, Bihar and new circles</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Revenue	nmf	nmf	33	1,268	5,538
Costs	nmf	nmf	833	3,250	6,667
EBITDA	nmf	nmf	(800)	(1,982)	(1,128)
EBITDA margin (%)	nmf	nmf	nmf	nmf	nmf
Subscriber ending	nmf	nmf	0.08	0.7	2.5
Growth (%)	nmf	nmf	nmf	828.1	250.1
Average subscribers	nmf	nmf	0.04	0.40	1.61
Growth (%)	nmf	nmf	nmf	928.1	306.3

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

Idea has recently been awarded spectrum for the Mumbai circle and is likely to start operations by 4QFY08. Idea is also expected to start operations in the Bihar circle by FY09. Mumbai is a highly competitive circle. Mumbai is an important circle for all the operators as it has a substantial postpaid subscriber base and high ARPU subscribers. Idea however is unlikely to get high ARPU subscribers in Mumbai as they would already be associated with existing operators. Idea will have a strategy driven by promotional schemes to attract subscribers which can easily replicated by other operators. Idea will definitely find it difficult to establish a footprint in Mumbai. Idea will also start operations in Bihar and we expect Idea to be allotted spectrum for some circles and start operations in FY10. We do not expect these circles to breakeven by FY10.

Considering this, Idea's margin expansion will be limited. We might see some margin surprises in FY08 before it starts operations in Mumbai but on the whole for the period FY08-10 the margin expansion will be limited.

## No trigger from the tower business

Idea offers limited triggers outside its core business unlike its peers who have triggers from their tower business.

### Tower business

In the meeting held on the 24<sup>th</sup> July 2007, the board of Idea Cellular approved the formation of a subsidiary for a possible transfer of the tower business. Currently, Idea has 13.2K cell sites. Of these, 4.5K cell sites are on a guest sharing basis. This effectively means that Idea owns 8.7K cell sites or towers. Idea is host to 2.5K BTS of other operators. Thus, Idea has a tenancy ratio of 1.3 per tower as compared to Bharti's 1.3 and RCOM's 1.1. Idea has ~70% ground based and ~30% roof based towers as a part of its passive infrastructure portfolio.

The management guidance on its capex plans for FY08 and FY09 of Rs 90bn indicates that Idea is more likely to be a guest than a for host active infrastructure.

Considering that 40% of FY08 and FY09 capex will be utilized for passive infrastructure, Idea will build 12k towers in FY08 and FY09 taking its tower portfolio to 20k towers by the end of FY09.

This implies that Idea's build out of towers will be far less than its requirement of 32k towers. Thus Idea will lease towers from other operators and independent tower companies. Idea will always have a higher percentage of guest sharing than host sharing, thus the current trend is likely to persist. This means that Idea's tower rental outgo will be higher than the rental revenue received.

Idea is still a highly leveraged player compared to other telecom operators. This higher leverage restricts Idea from ambitiously pursuing the tower business as it requires high capex and has a higher gestation period. Idea is not present in all the 23 circles which is another factor restricting its tower business.

**Figure 3.1: Net-Debt: Equity**

	FY07A	FY08E	FY09E	FY10E
Bharti	0.36	0.28	0.18	0.12
RCOM	0.09	0.39	0.14	(0.10)
Idea	0.57	1.05	0.98	0.72

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

We believe that Idea is likely to benefit more by leasing infrastructure rather building it. Idea is a smaller operator compared to RCOM and Bharti and does not have the balance sheet strength of Bharti and RCOM. It is also on a rapid expansion mode and will largely concentrate on its network expansion. Although Idea may transfer these assets into a separate tower company and go for a stake sale, but we do not see the tower business driving huge external rental revenues.

Thus, we do not see value unlocking for Idea Cellular from its tower business as a significant trigger.

**Possibility of M&A**

Despite a strong outlook for organic growth, Idea could grow much faster through the inorganic route. Spectrum policy on 2G and 3G is still not very clear, hence it would make sense for Idea to opt for the inorganic route to establish a pan India presence or increase its foot print. Although the inorganic route ensures rapid growth, acquisition targets are not many. We see the following targets

- Spice Telecom
- Aircel

BPL mobile is another likely acquisition target but we believe that it is more likely to be picked up by Vodafone-Essar. We understand that Idea and Spice were in talks for a merger sometime back but the talks failed on valuations as Spice's shareholders demanded a higher price than was acceptable for Idea Cellular.

Aircel is backed by Maxis which has ambitious plans in India. Aircel could also be sought by Vodafone-Essar as it complements Vodafone-Essar in giving it a pan India footprint, thus the valuations are likely to be stretched to the limit. Thus, in totality we do not see a high likelihood of an M&A for Idea.

**Idea as an acquisition target**

Idea itself could be an acquisition target for players like RCOM which are aiming to establish a pan India GSM network. The current scenario on GSM spectrum allotment is not in favor of RCOM which could very well lead to Idea being sought after by RCOM.

Although, Idea is an acquisition target for larger players like RCOM, it appears unlikely that the AV Birla will sell at least not yet. The Birla group has continuously denied any intentions of selling Idea Cellular.

We do not see Idea being sold in the next three years till it can harness the high growth in the sector. As, the exponential growth rates in wireless business subside we might see a strategic sale of Idea. In the near future however this looks highly unlikely and assigning an acquisition premium is only fraught with risks.

## Valuations and view

Our multistage DCF model returns a 1-year forward target price of Rs126.

**Figure 4.1: Assumptions for DCF**

Company	FCF positive	Risk free rate (%)	Market risk premium (%)	Adjusted Beta	WACC (%)	Interim Sales growth rate (%)	
						FY13-17E	FY18-20E
Bharti Airtel	FY09	8.0	6.0	1	13.1	10.0	10.0
RCOM	FY09	8.0	6.0	1.1	12.4	10.0	10.0
Idea Cellular	FY10	8.0	6.0	1.2	11.5	8.0	6.0

Source: Religare Institutional Research, Company

- We expect Idea to have negative FCF till FY09 and positive FCF from FY10 onwards.
- We have assumed sales growth rate of 8% for FY13-17 and 6% for FY18-20. We have assumed Idea's interim growth rates to lower than Bharti and RCOM at 10% each on account of lower diversification.
- The WACC for Idea is 11.5% and we have assumed adjusted beta of 1.2 in the long run. We estimate Idea's cost of equity at 15.2% assuming risk free rate of 8% and market risk premium of 6%.

**Figure 4.2: DCF details**

Particulars	2008E	2009E	2010E	2011E	2012E	.....	2020E
<b>Free Cash Flow</b>							
EBIT	14,608	20,155	26,795	34,374	39,702		83,828
Growth in EBIT (%)	84.5	38.0	32.9	28.3	15.5		7.6
Tax on EBIT	0	1,183	2,927	5,156	7,940		25,148
<b>NOPLAT</b>	<b>14,608</b>	<b>18,972</b>	<b>23,868</b>	<b>29,218</b>	<b>31,762</b>		<b>58,680</b>
Depreciation and Amortization	8,781	12,810	16,190	18,427	19,700		20,125
<b>Operating cash flow</b>	<b>23,388</b>	<b>31,782</b>	<b>40,058</b>	<b>47,645</b>	<b>51,462</b>		<b>78,805</b>
Capex	46,811	44,020	43,052	30,000	30,000		30,000
Change in WC	2,011	4,721	6,498	6,204	5,131		4,377
<b>FCF</b>	<b>(21,411)</b>	<b>(7,516)</b>	<b>3,504</b>	<b>23,849</b>	<b>26,592</b>		<b>53,182</b>
<b>% change</b>	<b>nmf</b>	<b>nmf</b>	<b>nmf</b>	<b>581</b>	<b>12</b>		<b>(13)</b>

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

**Figure 4.3: DCF details**

<b>Terminal Value</b>	
WACC	11.5%
Growth rate	3.0%
Terminal Value	647,277

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

**Figure 4.4: DCF details**

Sum of PV of Free Cash Flow	189,767
Present Value of Terminal Value	182,671
<b>Enterprise Value</b>	<b>372,438</b>
Net debt	39,210
<b>Equity Value</b>	<b>333,227</b>
Shares outstanding (mn)	2,635
<b>Implied share price</b>	<b>126</b>
Market Price as on date	114
<b>Expected Premium</b>	<b>10.94%</b>
Risk free rate	8.0%
Market Risk Premium	6.0%
Adjusted Beta	1.20
Equity	37,369
Cost of equity	15.2%

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

WACC is a function of the cost of equity and the target capital structure. Idea is still in nascent high growth stage and thus has high debt. The high debt depresses the WACC. We have looked at Bharti and RCOM's capital structure as possible target capital structures for Idea and analyzed its sensitivity to changes in WACC because of changes in the capital structure.

**Figure 4.5: Sensitivity Analysis for capital structure**

Sensitivity analysis for Idea on peer capital structure			
	Bharti	RCOM	Idea
Debt: Equity*, FY08E	0.28	0.20	1.28
WACC (%)	13.1	13.7	11.5
Value per share (Rs)	110	100	126

Source: Religare Institutional Equity Research, COAI, AUSPI, Company; \*FCCB not considered as debt

On Bharti's capital structure Idea's valuation comes to Rs110 per share and on RCOM's capital structure it is Rs 100 per share. This clearly indicates Idea's current valuation is a partly a function of its capital structure but based on the long run capital structure the intrinsic value is much lower.

**Figure 4.6: Sensitivity Analysis**

		WACC							
		9.5%	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%
<b>Perpetual Growth rate</b>	1.00%	141	132	125	118	112	107	102	98
	1.50%	147	137	129	122	115	110	104	100
	2.00%	153	143	133	125	119	112	107	102
	2.50%	161	149	139	130	122	116	110	105
	<b>3.00%</b>	169	156	144	135	<b>126</b>	119	113	107
	3.50%	179	164	151	140	131	123	116	110
	4.00%	191	173	159	147	137	128	120	113
	4.50%	205	185	168	154	143	133	124	117
	5.00%	223	198	179	163	150	139	129	121

Source: Religare Institutional Equity Research, COAI, AUSPI, Company



**Figure 4.7: Sensitivity Analysis**

		<b>Market Risk Premium</b>							
		2.5%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%
<b>Perpetual Growth rate</b>	1.00%	148	142	131	121	112	104	97	91
	1.50%	153	147	135	124	115	107	99	93
	2.00%	159	152	139	128	119	110	102	95
	2.50%	166	158	145	133	122	113	105	97
	<b>3.00%</b>	174	166	151	138	<b>126</b>	116	108	100
	3.50%	183	174	158	143	131	120	111	103
	4.00%	194	184	166	150	137	125	115	106
	4.50%	208	196	175	157	143	130	119	109
	5.00%	224	210	186	166	150	136	124	113

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

**Figure 4.8: Sensitivity Analysis on multiples**

<b>Idea on multiples</b>	<b>FY08E</b>	<b>FY09E</b>
<b>EV/EBITDA Target Multiples</b>		
11x	83	118
11.5x	87	125
13x	101	143
<b>PER target multiples</b>		
22x	104	122
22.6x	107	125
25x	118	138

Source: Religare Institutional Equity Research, COAI, AUSPI, Company

Idea currently trades at EV/EBITDA 14.5x FY08E and P/E 24.2x on FY08E earnings. At our target price of Rs125 Idea will trade at EV/EBITDA 11.5x FY09E and P/E 22.6x FY09E earnings. We believe that our valuation builds in the operational upsides for Idea and the benefits for of higher leverage in its capital structure. Despite this the upside is not significant. Hence we initiate coverage with **Reduce** rating.

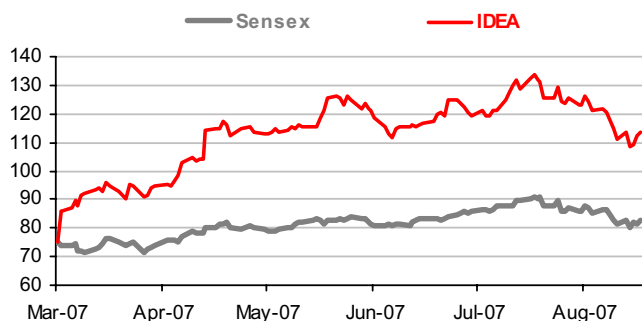
## **Risks to our call**

- Decrease in competition led by unexpected consolidation in the telecom industry could arrest ARPU declines.
- Idea could become an acquisition target if the AV Birla group decides to sell Idea Cellular. This will drive the stock price up.
- Higher than expected spectrum allotment for Idea Cellular will decrease the future capex/subscriber leading to improvement in profitability.
- Higher than expected growth in economy could arrest ARPU declines, hence improve profitability.

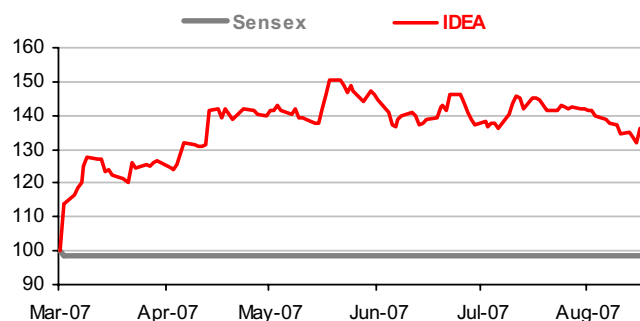
# Stock performance

## Idea

**Absolute Perf. From Mar 07**



**Relative Perf. From Mar 07**

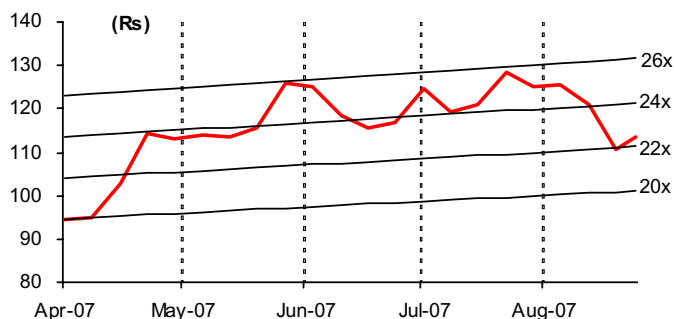


Source: Bloomberg, Religare Institutional Equity Research

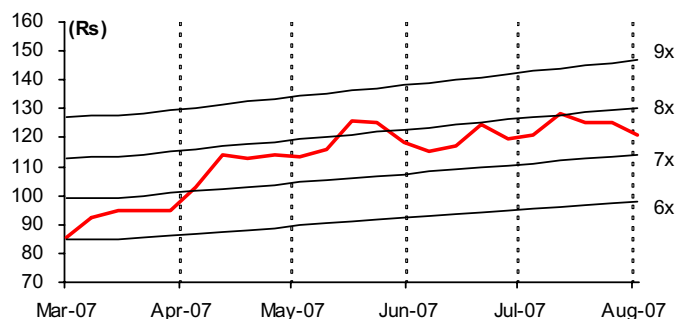
# 12 month forward rolling band charts

## Idea

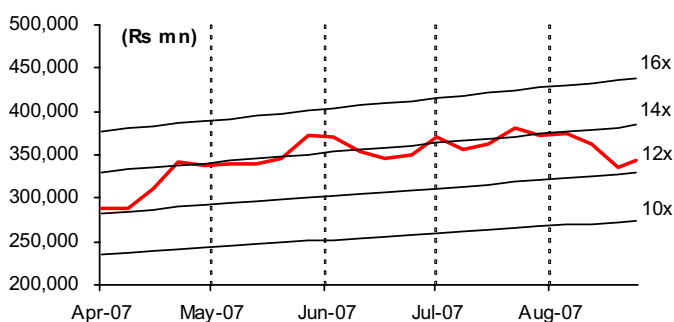
**P/E Band**



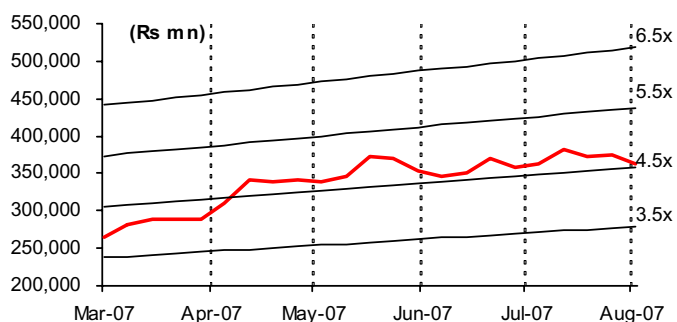
**P/BV Band**



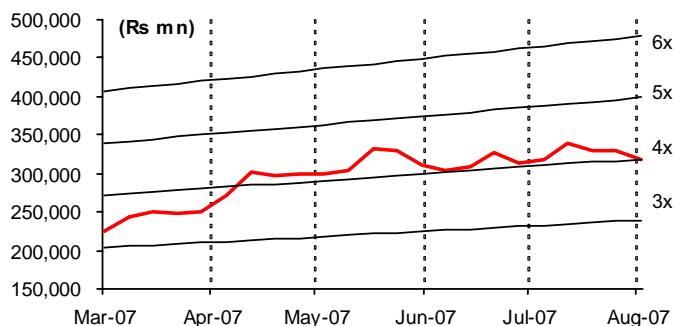
**EV/EBITDA Band**



**EV/Sales Band**



**Mkt cap/Sales Band**



## Idea Financials

### Income statement

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
<b>Net Sales</b>	<b>29,489</b>	<b>43,664</b>	<b>68,907</b>	<b>96,989</b>	<b>125,266</b>
<b>EBITDA</b>	<b>10,508</b>	<b>14,637</b>	<b>23,388</b>	<b>32,965</b>	<b>42,985</b>
EBITDA margin (%)	35.6	33.5	33.9	34.0	34.3
Depreciation	5,495	6,718	8,781	12,810	16,190
<b>EBIT</b>	<b>5,013</b>	<b>7,918</b>	<b>14,608</b>	<b>20,155</b>	<b>26,795</b>
Other income	410	465	878	382	370
Interest exp/ (inc)	3,225	3,291	2,977	5,059	5,324
<b>PBT</b>	<b>2,198</b>	<b>5,092</b>	<b>12,509</b>	<b>15,478</b>	<b>21,841</b>
PBT margin (%)	7.5	11.7	18.2	16.0	17.4
Taxes	80	60	90	908	2,386
Extra ord exp/ (inc)	(87)	0	0	0	0
<b>PAT</b>	<b>2,030</b>	<b>5,033</b>	<b>12,420</b>	<b>14,570</b>	<b>19,455</b>
PAT margin (%)	6.9	11.5	18.0	15.0	15.5
<b>Adj PAT</b>	<b>2,118</b>	<b>5,033</b>	<b>12,420</b>	<b>14,570</b>	<b>19,455</b>
Adj PAT margin (%)	7.2	11.5	18.0	15.0	15.5

### Quarterly- Financials

(Rs mn)	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08
<b>Net Sales</b>	<b>9,003</b>	<b>10,094</b>	<b>11,483</b>	<b>13,084</b>	<b>14,773</b>
Change (%)	NA	NA	NA	52.9	64.1
<b>EBITDA</b>	<b>3,021</b>	<b>3,546</b>	<b>3,707</b>	<b>4,363</b>	<b>5,128</b>
Change (%)	NA	NA	NA	36.7	69.7
Margin (%)	33.6	35.1	32.3	33.3	34.7
<b>PAT</b>	<b>860</b>	<b>1,142</b>	<b>1,097</b>	<b>1,934</b>	<b>3,085</b>
PAT adjusted	860	1,101	1,138	1,934	2,726
Change (%)	NA	NA	NA	68.9	258.7
Margin (%)	13.6	10.9	9.9	14.8	18.4
<b>EPS (Rs)</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.9</b>	<b>1.2</b>
EPS adjusted (Rs)	0.5	0.4	0.4	0.9	1.0

### Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
<b>Growth</b>					
Net sales (%)	31.3	48.1	57.8	40.8	29.2
EBITDA (%)	29.5	39.3	59.8	40.9	30.4
PAT adj (%)	7.2	11.5	18.0	15.0	15.5
EPS adj (%)	176.7	121.3	127.2	17.3	33.5
EPS diluted (%)	176.7	121.3	127.2	17.3	33.5

### Valuations

P/E (x)	121.6	55.0	24.2	20.6	15.4
Price/BV (x)	22.9	8.8	8.0	5.8	4.2
EV/EBITDA (x)	31.6	21.8	14.5	10.7	8.2
EV/Sales (x)	11.3	7.3	4.9	3.6	2.8

### Profitability

EBITDA margin (%)	35.6	33.5	33.9	34.0	34.3
Adj PAT margin (%)	7.2	11.5	18.0	15.0	15.5
RoE (%)	20.7	22.5	35.0	32.6	31.5
RoCE (%)	12.0	13.4	19.0	21.5	22.0
RoIC (%)	11.1	16.4	22.4	21.1	21.1

### B/S ratios

Debtors days	18.0	14.0	14.0	14.0	14.0
Net debt/equity	2.79	0.57	1.05	0.98	0.72

### Balance sheet

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
<b>Liabilities</b>					
Equity share capital	27,425	25,929	26,349	26,349	26,349
Total Res. & Surplus	(16,193)	7,655	11,021	25,591	45,046
<b>Total Shareholders' funds</b>	<b>11,232</b>	<b>33,584</b>	<b>37,369</b>	<b>51,939</b>	<b>71,394</b>
Convertible debt	0	0	0	0	0
Others	32,856	42,505	47,945	52,494	56,510
<b>Total loans</b>	<b>32,856</b>	<b>42,505</b>	<b>47,945</b>	<b>52,494</b>	<b>56,510</b>
<b>Deferred tax lia. (net)</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>
<b>Total liabilities</b>	<b>44,693</b>	<b>76,694</b>	<b>85,920</b>	<b>105,039</b>	<b>128,509</b>
<b>Assets</b>					
Net fixed assets	48,642	68,234	94,448	125,657	152,519
Capital WIP	1,731	4,564	4,564	4,564	4,564
<b>Total non-cur. assets</b>	<b>50,374</b>	<b>72,798</b>	<b>99,012</b>	<b>130,221</b>	<b>157,083</b>
<b>Inv - non cur.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>					
Inventories	114	114	114	114	114
Sundry debtors	1,457	1,675	2,643	3,720	4,805
Cash & cash equivalents					
Cash	1,493	23,448	8,719	1,625	5,008
Liquid investments	0	12	16	21	28
Other current assets	3,529	3,138	6,463	8,171	11,629
<b>Total current assets</b>	<b>6,593</b>	<b>28,387</b>	<b>17,955</b>	<b>13,652</b>	<b>21,585</b>
<b>Total current liabilities</b>	<b>11,977</b>	<b>24,015</b>	<b>30,319</b>	<b>37,826</b>	<b>48,867</b>
<b>Total provisions</b>	<b>296</b>	<b>476</b>	<b>729</b>	<b>1,009</b>	<b>1,292</b>
<b>Net current assets</b>	<b>(5,680)</b>	<b>3,884</b>	<b>(13,108)</b>	<b>(25,204)</b>	<b>(28,602)</b>
<b>Misc. expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>44,693</b>	<b>76,694</b>	<b>85,920</b>	<b>105,039</b>	<b>128,509</b>

### Cash flow

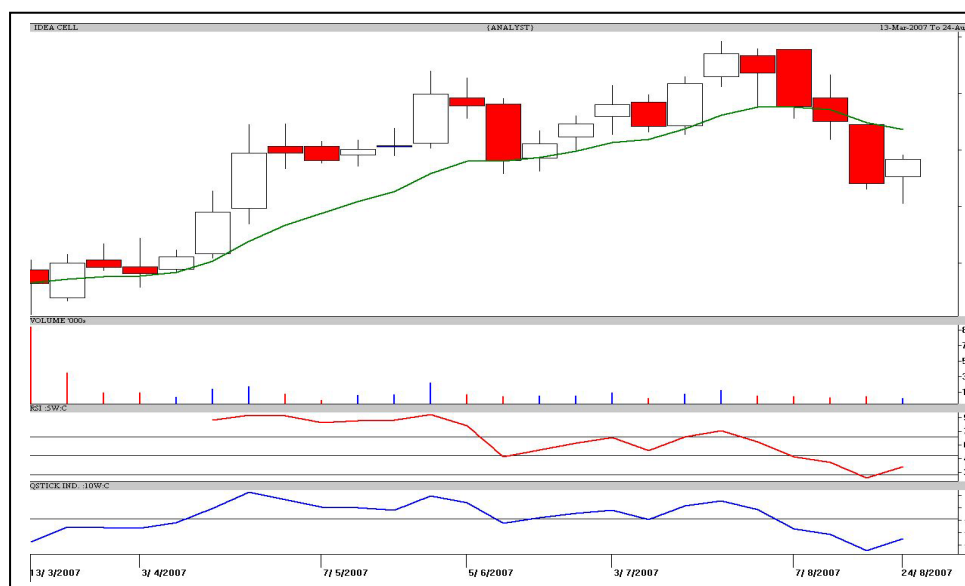
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
<b>Cash from op.</b>					
PBT	2,198	5,092	12,509	15,478	21,841
Dep&other amor. exp.	5,495	6,718	8,781	12,810	16,190
Cash flow from op.	10,795	14,817	23,641	33,246	43,268
Net change in WC	4,492	12,151	1,921	3,813	4,112
<b>Net cash from op.</b>	<b>15,287</b>	<b>26,968</b>	<b>25,562</b>	<b>37,059</b>	<b>47,380</b>
<b>Cash from inv.</b>					
Capital expenditure	(8,232)	(29,142)	(46,811)	(44,020)	(43,052)
Sale/pur. of inv & others	0	(12)	(4)	(5)	(7)
<b>Net cash from inv.</b>	<b>(8,232)</b>	<b>(29,154)</b>	<b>(46,815)</b>	<b>(44,025)</b>	<b>(43,059)</b>
<b>Cash from fin.</b>					
Issue of shares & sh. premium	0	17,319	3,182	0	0
Interest paid	(3,225)	(2,826)	(2,099)	(4,676)	(4,954)
Dividends paid	0	0	0	0	0
Debt change & others	(4,083)	9,649	5,440	4,549	4,016
<b>Net cash from fin.</b>	<b>(7,307)</b>	<b>24,142</b>	<b>6,524</b>	<b>(127)</b>	<b>(938)</b>
<b>Net change in cash</b>	<b>(252)</b>	<b>21,955</b>	<b>(14,729)</b>	<b>(7,094)</b>	<b>3,383</b>

### Per share data

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
EPS Basic	0.9	2.1	4.7	5.5	7.4
EPS Adj	0.9	2.1	4.7	5.5	7.4
EPS diluted	0.9	2.1	4.7	5.5	7.4
Book value	5.0	13.0	14.2	19.7	27.1
Dividend	0.0	0.0	0.0	0.0	0.0

## Technical View

**Idea Cellular (Close Price Rs. 113.45)**



Idea does not have much trading history to take a medium to long term outlook on this stock technically. It moved up from a low of Rs.84 to a high of Rs.135.55, from where it has corrected 61.8% of this rise (Rs.103.70) when it hit a low of Rs.104.95. In this process it has also broken the 10 weeks ema, indicating weakness.

Looking at the short trading history one can safely assume that Rs.124 is the immediate resistance and above this at Rs.135.55. Unless and until the immediate resistance is taken out, Idea will continue to be under pressure. The critical support is the recent low, which if breached could see it decline further to Rs.98.40. At the moment one should stay away from this stock from a technical perspective due to the reason mentioned above or else take only a fundamental view on it.

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