

Presentation on



Idea- Spice Proposed Merger

June 2008

Idea- Spice proposed merger



- ❖ Promoters of Spice communication are in exit mode. AV Birla group promoted Idea Cellular will pay Rs. 2100 Crs. to purchase the 40.8% promoter's stake in the Spice Communication. The stake purchase from idea will trigger 20% open offer. The proposed deal values Spice at Rs. 5353 Crs.
- ❖ Telekom Malaysia (TM), which currently holds 39.2% stake in Spice will get proportionate holding in Idea Cellular post merger (swap ratio is 49 shares of Idea for every 100 shares of Spice). Idea will make preferential allotment of 15% to TM @ Rs. 156.96 per share.
- ❖ Idea will be also looking forward to partnering TM as the Malaysian company will become strategic investor in Idea & will bring in industry experience & domain expertise.
- ❖ Overall the merged entity will have 13 circles & subscriber base of 2.9 Crs. Idea is in process of roll out in 4 new circles incl. Mumbai & Bihar. So the post merger the Company will have presence in 17 out of 22 circles across India.
- ❖ We maintain **BUY** on IDEA. Our target EPS for FY09E is Rs. 4.1. At CMP of Rs. 104, the stock is trading at 9.6x FY09E EV/ EBITDA & 25x FY09E PE multiple. As per our earlier report, our target price is Rs. 170.

Why Merger

Idea Advantage

- Merged entity will be 5th largest mobile company- overtaking Tata Tele
- Idea will get Spice's spectrum in 900 MHz band which can accommodated more subscribers than 1800 MHz band.
- Partnering TM will bring domain expertise.
- Instant access to 0.44 Crs subscribers in Karnataka & Punjab

Idea Spice Merger

Spice

- Promoters were looking to Exit as company remained loss making after 11 Years of operation.
- License only in 2 circles currently & telecom tribunal's decision to not to allow pan India license had already blocked growth prospects

TM Advantage

- TM will get stake in Idea which is better placed in the fast growing telecom sector.
- Investment in India's leading telecom service provider complements TM's investment in other SE Asian countries.

Financial Highlights



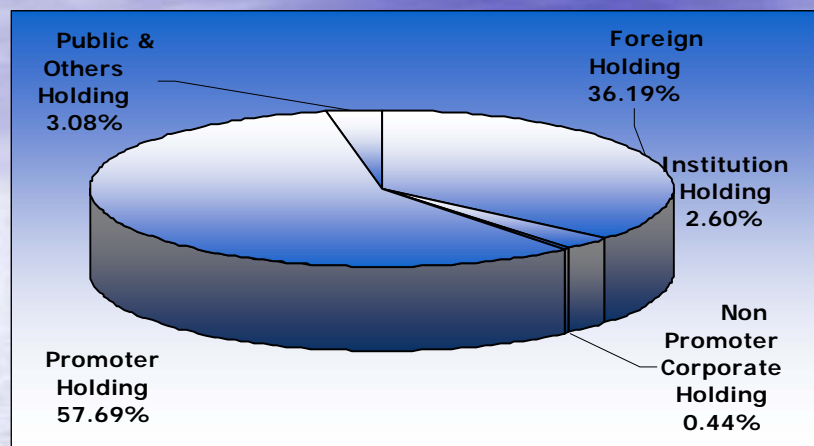
(Rs. In Crs)

Combined financials	FY09E
Revenue (Idea+ Spice)	11424.34
EBITDA (Idea+ Spice)	3887.95
PAT (Idea+ Spice)	1186.84
Current No. of shares O/s of Idea	264.00
ADD: Share swap with TM	13.52
ADD: Pref. Allotment of 15% stake to TM	46.90
Post Merger Shares O/s of Idea	324.42
Mcap @ Current Price of Rs. 104	33739.89
Debt (Idea+ Spice)	7872.50
Less: Cash recd from TM on Pref. Allotment	7361.42
Add: Cash payment to Spice promoters	2175.83
Add: Non compete fees to be paid to Spice Promoters	544.00
Net Debt	3230.91
EV	36970.80
EV/ EBITDA (Post Merger)	9.51
Current EV/ EBITDA	14.18
Current Subscribers (Idea+ Spice)	2.94
EV/ Subscribers	12575.10
EV/ Subscribers (in US\$)	299.41

IDEA CELLULAR LTD



Share Holding Pattern as of March 2008



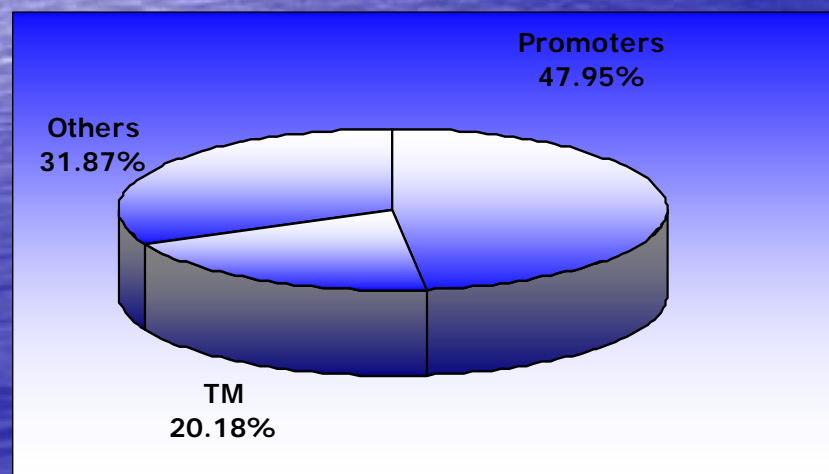
26 June, 2008

CMP (Rs.)	104
Equity (Rs. Crs.)	2635.36
Face Value (Rs.)	10
52 Week High/Low (Rs.)	161/ 89
Market Cap (Rs. Cr.)	274077.44
Avg. Volume (3 month)	1177213

Codes

BSE Code	532822
BSE Group	A
ISIN No	INE669E01016
NSE Symbol	IDEA
Bloomberg	IDEA IN

Share Holding Pattern Post Merger



Key Ratio's

EPS (TTM)	3.96
P/E Ratio (TTM)	26.26
P/ BV	7.65
EV/ EBITDA	14.18
Mcap/ Sales	4.4
Dividend Yield -%	0
RoCE (%)	8.3

Thank You.

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