



ANNUAL REPORT
2015-16

IDEA CELLULAR LIMITED



BIG ON GROWTH
BASED ON STRONG FUNDAMENTALS



Mr. Aditya Vikram Birla

We live by his values.

Integrity, Commitment, Passion, Seamlessness and Speed.

The Chairman's Letter to Shareholders



Dear Shareholder,

Global Economy

The global scenario continues to be trapped in a low growth trajectory, despite the steep drop in crude oil and commodity prices. Furthermore, a barrage of monetary stimulus has driven down interest rates close to zero in many of the advanced economies. With the monetary stimulus option by and large exhausted, governments are more likely to turn to fiscal and structural measures to revive growth.

The IMF projects global growth to inch up from 3.1% in 2015, to 3.2% in 2016, and increasing to 3.5% in 2017. Growth in the advanced economies is projected at 1.9% in 2016, with US growth pegged at 2.4%, Europe at 1.5% and Japan at 0.5%. Growth in the emerging markets in 2016, overall, is projected at 4.1%, much of it coming from China, India and the ASEAN region. Growth in Latin America is expected to be only 0.5%, on account of a 3.8% decline in growth in Brazil. No sustained upside is seen in oil and commodity prices in 2016.

The path ahead for the global economy remains challenging,

Against the backdrop of a muted global economy, India's economy is an outperformer. For FY 2016-17, GDP growth is projected at 7.5%.

with greater uncertainties thrown in. Concerns persist about the slowdown in China and its ability to shift smoothly from export-led to domestic-led growth. Fiscal pressures will accentuate in the oil producing countries, including the rich Middle-East countries. Financial markets remain nervous and exchange rate volatility has been pronounced. This is reinforced by the impending reversal of the interest rate cycle in the US.

Indian Economy

Against the backdrop of a muted global economy, India's economy is an outperformer. For FY 2016-17, GDP growth is projected at 7.5%. This would make it the fastest growing among the large economies. This is particularly creditable in the context of two successive unfavourable monsoons and a decline in exports. Recent data indicate a 5.7% year-on-year growth in eight of the key core sector industries, against 2.3% growth registered last year.

Inflationary pressures have been contained. The rise in the consumer price index averaged 4.9% in FY 2015-16, down from 5.9% in the previous year. The wholesale price index declined 2.5% on an averaged basis, compared to a rise of 2.0% in the previous year. In FY 2015-16, merchandise exports and imports each fell over 15% over 2014-15. The trade deficit in FY 2015-16 was US\$118.5 billion, a decline of 14% over the previous year. The current account deficit narrowed sharply from US\$ 26.1 billion to US\$ 22.0 billion, representing 1.4% of GDP. India's foreign exchange reserves, as at March-end 2016 were US\$ 360.2 billion. The government is also committed to meeting the current year's fiscal target of 3.5% of GDP. Overall, the economic fundamentals are sound.

There have also been positive moves on the policy front, in areas related to ease of doing business, promoting start-ups, rationalising the tax structure and administration, and opening up more areas for foreign investment through the automatic route. The

government is substantially stepping up infrastructure spending.

Having said that, some issues come to the fore. For instance, capital investment will take time to revive, given stretched corporate balance sheets, low capacity utilization, (at only 72.5% in the organized industrial sector), and competition from imports. Slow global output and trade growth will continue to impact exports. There is also the overhang of non-performing assets in the banking sector. Much more also needs to be done to "monsoon-proof" the Indian economy.

The growth in the manufacturing sector has been subdued, including a decline in the output of capital goods. In the services sector, growth levels have been encouraging, with telecom business at 5.4%.

Your Company's performance

It is very encouraging to see that regardless of the hyper competitive environment in the telecom sector, your Company continues its enviable track record of being among the fastest growing large Indian mobile operator for the 8th consecutive year.

During the year, your Company improved its Revenue Market Share (RMS) by 1.4% over the last one year to 18.9% (FY16), recording the highest RMS improvement by any operator. Furthermore, based on the incremental Revenue Market Share for the last four years (FY12 to FY16), your Company now stands as a clear number 2 operator in India. In the second largest wireless subscriber market of the world, '1 out of 3 new subscribers' is homing into your Company. The incremental subscriber market share (on VLR) stands at 30.5%. These trends are a clear testimony of your Company's ability to improve its market position as well as maintain its growth momentum.

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In the second largest wireless subscriber market of the world, '1 out of 3 new subscribers' is homing into your Company. Your Company took the historic leap in its telecom journey with the launch of its 4G LTE services in December 2015.

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moved at a fast pace, working relentlessly to roll-out more than 14,000 4G sites in the 10 circles where it won the 4G spectrum in the last two spectrum auctions. It covered more than 21% of the population in this short span of time. Your Company aggressively expanded its 2G and 3G network across the length and breadth of the country, connecting almost a billion Indians with its GSM network. The spectrum profile of your Company is competitive and the broadband offerings on its own spectrum, now encompass 87% of its revenue.

Your Company recorded consolidated revenue of US\$ 5.4 billion (₹ 35,981 crore) with EBITDA of US\$ 2.0 billion (₹ 13,257 crore), a rise of 14% and 18% respectively over the preceding financial year.

Outlook

Your Company has emerged much stronger in the voice segment. It has now attained the stature of a leading national telecom operator vis-à-vis a regional telecom operator 8 years ago. Over the last 2 years, your Company has committed large spectrum payouts. It is now moving purposefully towards the creation of a massive network capacity to support the expected surge in the mobile data demand. Your Company stands for reach, relevance and resilience. It will always remain nimble and adaptive market conditions. I strongly believe that backed with the competitive spectrum profile, a large network coverage, well established brand affinity and a proven execution track record, your Company will have an edge in the voice segment and side by side capture the emerging opportunities in the mobile data segment.

The Aditya Birla Group: In perspective

At the Group level, we have done well both in terms of revenue and earnings. As a matter of fact, the EBDITA attained has been the highest ever.

Having worked extensively on the people front for over a decade, I am happy to state that our leadership

processes are now mature. At the management level we have built quality bench strength.

The Chairman's Series launched last year for senior leaders in the areas of business strategy, finance and personal leadership saw 150 of our senior most leaders recourse to these learning interventions.

To create a leadership pipeline to the Business Head roles within the next couple of years, we have created the Aditya Birla Fellows programme. The managers who have won this recognition are put in charge of critical Group-wide projects under my personal oversight. Up until now, we have named 14 managers who have tremendous potential to rise to the stature of Business Heads, going forward.

A slew of other initiatives have been set afoot to grow leaders from within. To do so, we have announced a hiring freeze at the middle and senior management levels for the next 3 years. It paves the way for accelerated talent growth.

In this context, I am happy to state that our accelerated leadership programme Cutting Edge, which prepares high potential leaders for P&L positions across our Group is gaining traction. It was launched last year. Up until now, 20 of the 35 graduates of this programme have already moved roles to take on higher responsibilities.

Furthermore, the 250+ youngsters who joined us over 6 years ago as Group Management Trainees, in our Leadership Associate Programmes (Lead) and Leadership Programme for Experienced youngsters (Leap), are shaping well. In the last 2 years nearly a 100 from this slot have moved across functions and businesses. Additionally, we have 25 mid-career participants who have joined us in the Group Manufacturing Leadership Programme. They too are making significant contributions in our manufacturing business units.

The first batch of 14 participants in "Spring Board", (a programme designed specially for high calibre women)

The first batch of 14 participants in "Spring Board", (a programme designed specially for high calibre women) graduated commendably to higher roles. The second batch of 39 women leaders is making good progress on their way to greater responsibilities. As of now, we have nearly 5,000 women – 14 percent in the managerial cadre.

Our people are fully aware of what business needs to succeed. They are committed to contribute their best to our values based, performance driven, meritocratic culture. We are future ready.

graduated commendably to higher roles. The second batch of 39 women leaders is making good progress on their way to greater responsibilities. As of now, we have nearly 5,000 women – 14 percent in the managerial cadre.

In the last 3 years, we have had more than 1100 inter-business and over 1000 intra-business transfers of employees across levels.

At Gyanodaya, the Aditya Birla Global Centre for Leadership Learning over 2000 managers enrolled for learning programmes. With a mix of academics and live case studies, these programmes enable our people to keep abreast of the developments in their area and stay contemporary. Side by side the Gyanodaya Virtual Campus hosts more than 500 e-learning modules in multiple languages. During the year, over 25,000 employees chose to access these programmes.

The Aditya Birla Group Leadership Programme aimed at securing young talent from the top tier Business Schools of India has become aspirational. I am happy to record that our Group's brand attractiveness has taken a quantum leap across 35 top B-Schools in India. Our Group features among the formidable Top-5 in the A C Nielsen – CRI Campus Recruitment India Index 2015.

In sum

All these moves are a testament to our commitment to accord a World of Opportunity for our people and they are leveraging it. Our people are fully aware of what business needs to succeed. They are committed to contribute their best to our values based, performance driven, meritocratic culture. We are future ready.

Yours sincerely,



Kumar Mangalam Birla

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Board of Directors



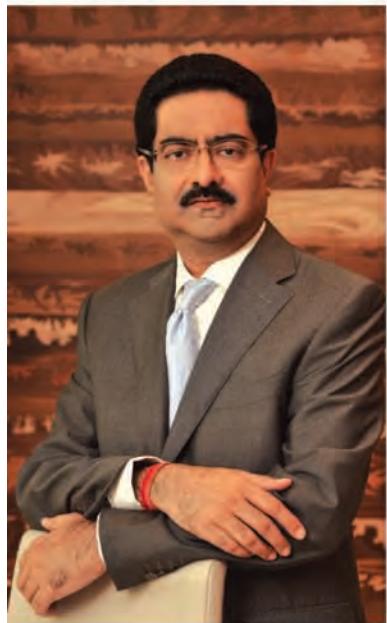
Mrs. Rajashree Birla
Non-Executive Director



Mr. Himanshu Kapania
Managing Director



Mr. Sanjeev Aga
Non-Executive Director



Mr. Kumar Mangalam Birla
Non-Executive Chairman



Dr. Shridhir Sariputta Hansa Wijayasuriya
Non-Executive Director



Mr. Arun Thiagarajan
Independent Director



Mrs. Madhabi Puri Buch
Independent Director



Ms. Tarjani Vakil
Independent Director



Mr. R. C. Bhargava
Independent Director



Mr. P. Murari
Independent Director



Mr. Mohan Gyani
Independent Director



Mr. Akshaya Moondra
Whole Time Director and
Chief Financial Officer
(w.e.f. July 8, 2016)