



ANNUAL REPORT
2016-17
IDEA CELLULAR LIMITED



BIG ON MILESTONES



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 economy continued to be subdued in 2016. The slowdown in the advanced economies of the West adversely impacted growth levels, resulting in the slowing of the world economic growth to 3.1% from 3.4% in the earlier year. The growth in emerging markets and developing economies was encouraging. However, China and India experienced a deceleration. Financial markets reflected a broad uptrend, notwithstanding Brexit and the rate hikes by the US Fed.

Recent data reveals that the global economy is gaining momentum. PMIs (Purchasing Managers' Indexes), accelerating trade flows and better business and consumer confidence are the key pointers. The IMF has projected global growth to notch up to 3.5% in 2017 from 3.1% last year. Growth in the advanced economies is estimated at 2%, with US growth at 2.3%, the Euro area at 1.7% and Japan at 1.2%. Growth in the emerging markets is pegged at 4.5%, driven largely by China, India and the ASEAN region. Latin America is expected to grow only 1.1%, affected by the weak trend in Brazil.

Indian Economy

India is on a roll. There is a buzz about India, as it blazes forth as the fastest growing economy in the

Foreign investment flows, which were at over USD 60 billion in FY-17 are scaling new records. Markets are buoyant. Stock index is at a historic peak. India's global ranking has jumped up in competitiveness and on the innovation index.

world at 7.1%. The trade deficit in 2016-17 was USD 106 billion, lower by 11% over the previous year. The current account deficit has been significantly pared. India's foreign exchange reserves as at March end 2017 were USD 370 billion. Investors are bullish. Foreign investment flows, which were at over USD 60 billion in FY-17 are scaling new records. Markets are buoyant. Stock index is at a historic peak. India's global ranking has jumped up in competitiveness and on the innovation index.

The various initiatives and reforms of the Modi Government have built the platform for a quantum leap ahead. High impact national projects, coming to grips with structural issues, which were holding back the country's progress, innovative approaches in policy making – have collectively contributed in driving India on a high growth trajectory. Going forward the abiding sense is one of immense optimism and confidence in the future with the nation slated to grow at 7.5% to 8%. India's narrative is unmatched.

That said, if there is one subject that needs greater attention on the government's radar for the ensuing years, it is the revival of investment activity and creation of quality jobs in large measure. The Government is seized of these issues. The Government has taken many steps, including a sharp focus on improving ease of doing business, speeding of green clearances and stepping up public sector outlays for infrastructure. I believe, it is a matter of time before the private sector investments pick up – as NPAs are resolved and corporate balance sheets are deleveraged.

Your Company's Performance

As you are all aware, the Indian wireless industry witnessed an unprecedented disruption, given the lure of free offerings both voice and mobile data by a new entrant. It has been a 'Period of Telecom Discontinuity', permanently changing mobility business parameters. Consequently, the revenue KPIs and financial parameters for all mobile operators have sharply declined. For the first time in its history, the flourishing Indian Mobility industry, is trending towards an annual revenue decline of ~2% in FY17 (vs FY16). With the new entrant starting to charge for its services, albeit very slowly, the sector is expected to return to growth in the next financial year.

On a consolidated basis, your Company for the first time since its IPO, reported a total revenue decline of 0.8% at ₹ 358,827 million for FY17 (₹ 361,625 million in FY16). While we remain optimistic on the India growth story and Idea continues to expand its scale of operations, this tumultuous phase subdued Idea's EBITDA during the current financial year by 13.1% to ₹ 105,832 million (vs ₹ 121,807 million in FY16). Further, last two years of high Investment in Spectrum and Network Equipment has increased the 'Depreciation and Amortisation' charge to ₹ 78,272 million and 'Interest and Financing Cost' to ₹ 40,411 million. This has resulted into loss of ₹ 3,997 million in FY17 – the first ever annual loss in last 11 years since its IPO during Year 2007. The Cash Profit for the Company stands at around ₹ 69,981 million.

Inspite of short term challenges, Idea remains committed to the process of building world class broadband services. With the slated launch of Mumbai 4G services by end of May 2017, the Company will be offering broadband services on its own spectrum across all 22 service areas, 3G (15 service areas) and 4G (20 service areas). During FY 2017, Idea integrated highest ever network telecom site count of 50,004 sites (2G+3G+4G), expanding its network sites on GSM (2G), HSPA (3G) and LTE (4G) technologies to an overall EoP of 241,540 sites, including 70% increase in its wireless broadband sites on 3G and 4G platform from 64,703 sites as at end March, 2016 to 110,054 sites as at end March, 2017.

The wireless broadband population under coverage now expands beyond 500 million Indians in 21 service areas, while GSM presence spreads to nearly 1 billion Indians. The Company has also expanded its fibre backbone network by 29,100 km from 115,500 km as at end March, 2016 to 144,600 km as at end March, 2017. The Company's gross investment in fixed assets has risen nearly to ₹ 1,185 billion, an addition of ₹ 198 billion in last 12 months. Idea's overall spectrum holding of 891.2 MHz across spectrum bands of 900, 1800, 2100, 2300 and 2500 MHz equips it with an ability to rollout wireless broadband which can carry 15-20 times of its current mobile data traffic. The monetization of this front loaded large investment in spectrum and equipment is inevitable as Digital India mission gathers momentum.

*The wireless
broadband population
under coverage now
expands beyond
500 million Indians in
21 service areas, while
GSM presence spreads
to nearly 1 billion
Indians.*

On 20th March, 2017, we announced a merger between Vodafone India and Idea Cellular. The two companies will combine their operations in India (excluding Vodafone's 42% stake in Indus Towers) to create India's largest telecom operator.

On 20th March, 2017, we announced a merger between Vodafone India and Idea Cellular. The two companies will combine their operations in India (excluding Vodafone's 42% stake in Indus Towers) to create India's largest telecom operator. The merger of Idea and Vodafone is founded on the shared commitment to deliver substantial stakeholder value, offer strong consumer choice to 1.3 billion Indians and contribute towards realising the Prime Minister's vision of Digital India and financial inclusion goals. The combined company would become the leading communication provider in India with ~ 400 million customers, 35% Customer Market Share and 41% Revenue Market Share (based on Q3FY17 TRAI release). The merger transaction is subject to approval from the relevant regulatory authorities and Idea's shareholders. Vodafone and Idea have initiated necessary steps to obtain regulatory approvals. A joint merger notification has been filed with the 'Competition Commission of India' (CCI) and the Scheme of Arrangement has been filled with SEBI and Stock Exchanges for their approvals.

In the meantime, Idea will remain nimble, agile, adaptive and focused on its execution capabilities. The company remains confident to capitalise on the emerging opportunities in mobile voice, digital content, mobile banking and wireless data business as telecom market invariably moves towards consolidation with 5 major providers.

A big thank you to all of our employees

Organizational agility, excellence in execution, customer centricity and cost optimization are a given. I believe to drive business growth in a sustainable manner, the criticality of our people – our intellectual capital, is beyond expression. We deeply value our employees' engagement and their commitment to our culture of innovation and performance accountability.

Aditya Birla Group: In perspective

At the Group level our performance both in terms of revenue and earnings has been growing. In fact our EBIDTA has been the highest ever. In line with our people focus, we have strengthened the capacity of our leadership

bench as well as employees across levels. Our Group's HR agenda is even more sharper and defining of our future. Our HR function has collectively developed and clearly articulated the HR 2020 strategy across the organization. It has clear actionables and review mechanisms, focused on talent, technology, productivity and employer brand. On the people front it has truly been an exciting year of development, building on the strong foundations of the earlier years.

As I had shared with you earlier, we have 3 accelerated leadership programs. First - The Turning Point, which prepares high potential leaders for P&L roles. Second - Step Up which infuses a ready pipeline for Functional Head roles, and Third - Springboard designed especially for high caliber women leaders. These have enabled us set up the requisite bench strength of leaders.

We have prepared 123 leaders for higher responsibilities, over the last one year. Of this 26 have already taken on new roles. The Business leadership and I have personally reviewed talent across the business, and am happy to see the evolution of our structured succession plans.

The hiring freeze came into effect in January 2016. This, coupled with our leadership development actions, has resulted in extremely encouraging people moves. Over the last year, we witnessed 5500+ career movements across the Group. Of these, 600+ were inter-business movements, 150% higher than the previous year.

The Aditya Birla Group Leadership Program (ABGLP) is another strong source of building leaders. It has gained greater traction this year with 67% higher intake. From the earlier batches, 95 participants, have over the last 2 years, been given cross business and function exposures grooming them for a holistic perspective. I am happy to share that we continue to be an employer of choice amongst the top B schools in India. Our Group features among the formidable Top-5 in the A C Nielsen – CRI Campus Recruitment India Index 2016 as well.

Additionally to accelerate opportunities for our talent we have set up Talent Councils led by Business Heads and Directors at the business and Group levels. Up until now

Our HR function has collectively developed and clearly articulated the HR 2020 strategy across the organization. It has clear actionables and review mechanisms, focused on talent, technology, productivity and employer brand.

Project Vega is yet another initiative launched this year. Its basic objective is to review the agility of decision making in the organization, keeping in view end-customer impact.

more than a 100 Talent Councils meetings have happened across the Group where the development plans of approximately 3000 colleagues have been discussed and actions taken.

Project Vega is yet another initiative launched this year. Its basic objective is to review the agility of decision making in the organization, keeping in view end-customer impact. This has yielded significant changes to internal processes, delegation of authority and speed of decision making, in turn empowering teams and freeing up leadership bandwidth. This, along with our focus on technology enabled processes, I believe, will keep us sharp and nimble.

Furthermore, to hone and enhance our functional expertise, Gyanodaya, the Aditya Birla Global Centre for Leadership & Learning, launched Functional Academies last year. The Sales, Marketing & Customer Centricity Academy and HR Academy enabled 1150 leaders build deeper expertise in their domain areas. Gyanodaya continues to deliver superior learning programs with over 1583 managers enrolled last year.

Additionally, the Gyanodaya Virtual Campus hosts more than 500 e-learning modules in multiple languages. During the year, over 31664 employees accessed these e-learning programs. I am happy to update you that we are doubling our capacity in Gyanodaya, through upcoming expansion plans.

In sum,

Our Group's solid reputation, robust financials, the quality and commitment of our talent, our leadership positions in our businesses, our operational excellence and our CSR engagement, are our strengths that I believe, will see us ride the wave of success.

Yours sincerely,



Kumar Mangalam Birla

Contents

2	Board of Directors
3	Corporate Information
5	Performance Highlights
11	Directors' Report
51	Management Discussion And Analysis Report
68	Corporate Governance Report
85	Business Responsibility Report

Standalone Financial Statements

100	Independent Auditors' Report
108	Balance Sheet
110	Statement of Profit and Loss
112	Notes forming part of the Financial Statements
164	Statement of Cash Flows

Consolidated Financial Statements

166	Independent Auditors' Report on Consolidated Financial Statements
170	Consolidated Balance Sheet
172	Consolidated Statement of Profit and Loss
174	Notes forming part of the Consolidated Financial Statements
233	Statement of Consolidated Cash Flows

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. Alka M. Bharucha
Independent Director



Ms. Tarjani Vakil
Independent Director



Mr. Baldev Raj Gupta
Independent Director
(w.e.f. May 13, 2017)



Mr. P. Murari
Independent Director



Mr. Mohan Gyani
Independent Director



Mr. Akshaya Moondra
Whole Time Director and
Chief Financial Officer