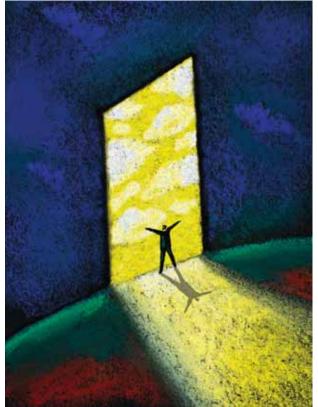
LAST MAN STANDING

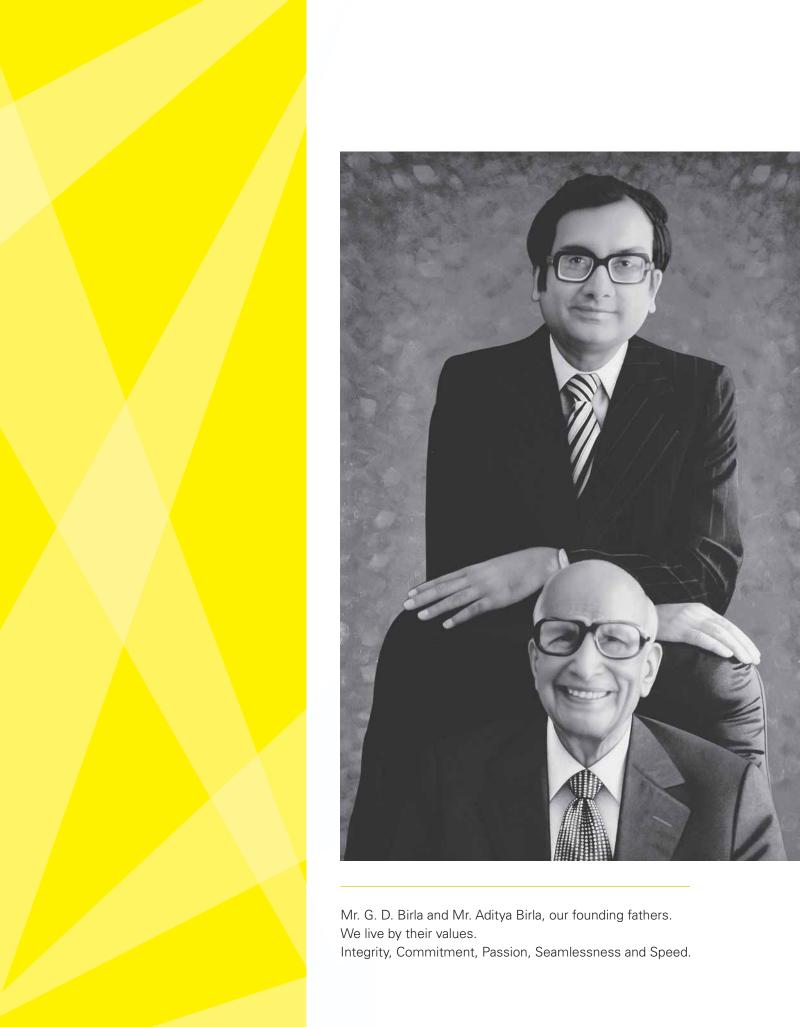


FIRST MAN FORWARD

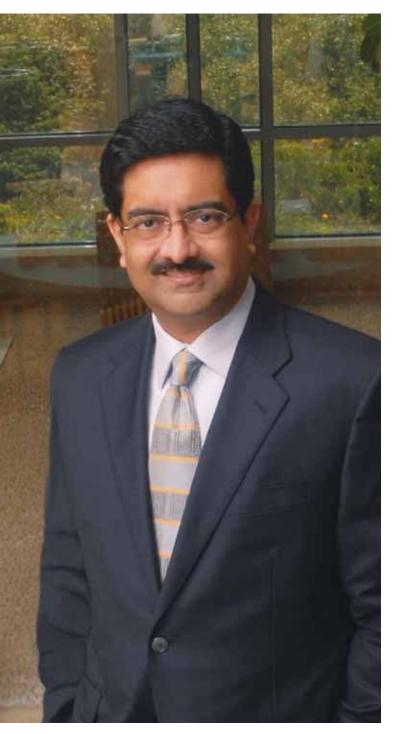


ANNUAL REPORT 2 0 1 1 - 2 0 1 2

IDEA CELLULAR LIMITED



The Chairman's Letter to Shareholders



Dear Shareholder,

Almost four years after the greatest financial and economic upheaval since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risks to growth remain. The situation looks unsteady once again, with the problems in the Euro Zone. The IMF projects that the global economic growth will decline from 4% in 2011 to 3.5% in 2012, before picking up to 4%in 2013. The Euro zone shows signs of slipping into a recession again, though that is expected to be offset by around 2% growth in the US and 6% in the emerging and developing economies. The economies of Africa, particularly sub-Saharan Africa, are demonstrating structural improvement. Japan is on the road to normalcy after the twin disasters of the tsunami and the Fukushima nuclear reactor accident. The global supply chains, disrupted by the disasters in Japan and the floods in Thailand, have been restored. The financial condition of the large global corporations is extremely strong, and their cash holdings at an all-time high.

The worst-case scenarios for the global economy have not come to pass. That, in no small measure, is due to the unprecedented stimulus provided by governments and central banks. Europe has also reached a degree of consensus on fiscal reforms. The ECB has also put in place firewalls to ward off a widespread economic contagion.

Clearly, the road ahead is not yet smooth. The bond, inter-bank and sovereign debt markets in

Europe remain jittery. The process of financial deleveraging still has a long way to go. Oil prices remain stubbornly high. Unemployment is proving extremely sticky and concerns about inequality are growing. A major worry is the political gridlock in many major countries, that makes it difficult to strike the right trade-offs between growth and fiscal and monetary restraint.

The Indian economy was quick off the mark in recovering after the 2008 shocks. But the growth momentum has slowed considerably over the past year. GDP growth in the third quarter of FY 2011-12 was 6.1%, down from 8.3% in the corresponding quarter of FY 2010-11. Some of the key indicators are bearish. Gross fixed capital formation has contracted in recent months. Growth in industrial production in the April 2011-February 2012 period slid to 3.5%, compared to 8.1% during the same period last year. Inflation, particularly in food items, remains high. There have been major slippages on the fiscal side. The current account deficit, in the April-December 2011 period widened to 4.0% of GDP, a clear warning sign. On a trade-weighted basis the Rupee depreciated around 8% in the past year. Given the slippage in growth, RBI's decision to ease monetary policy was timely. Even so monetary policy will not be effective unless it is supported by fiscal restraint. India's economy is poised delicately. The extended pause in reforms, together with some recent retrograde policy moves, have clouded business sentiment.

The telecom sector, undeniably plays a critical role in the economic growth of the country and in its journey towards inclusive growth. Even as the sector's direct contribution is just around 2% to 2.5% of GDP, the manner in which it impacts the lives of over 919 million Indians, is beyond quantification. Regrettably, the sector is going through a phase of uncertain regulatory environment, post the cancellation of licenses by the Hon'ble Supreme Court in February' 2012, which were awarded in 2008. Furthermore, the proposed policy changes towards spectrum auctioning, pricing and re-farming, by the regulator, bode ill for the sector.

The significant strides made by your Company become all the more creditable when set against the unprecedented stress and uncertainty running through the sector. For the year 2011-12, your Company has posted an impressive performance.

The telecom sector,
undeniably plays a critical
role in the economic
growth of the country and
in its journey towards
inclusive growth.
Even as the sector's
direct contribution is just
around 2% to 2.5% of GDP,
the manner in which
it impacts the lives of
over 919 million Indians,
is beyond quantification.

It continues to grow its revenues at almost twice the industry growth rate. During FY12 your Company's annual revenue growth stood at 26%. Your Company is the third largest wireless operator in India, with a revenue market share of 14.4% - up by 1.1% during the calendar year 2011. We strongly believe that there is a significant growth potential in the Non Voice revenue. A focused execution in this direction has resulted in raising the share of Non Voice revenue to 14.3% compared to 12.1%, a year ago.

For the first time since its listing, your Company has improved its EBITDA margin, which for FY12 stands at 26.1% vis-à-vis 24.5% in FY11, a 1.6% uptick. However, the Profit After Tax of your Company was lower compared to the last year, given higher depreciation, amortisation and interest costs related to 3G investments.

Your Company enjoys the pole position in terms of quality of subscribers in this industry. The ratio of VLR (active) subscribers to reported subscribers is over 93%, the highest in the sector and significantly higher compared to the industry average of 74%. Your Company is today the third largest Indian wireless operator, in terms of total VLR subscribers.

Your Company has maintained its leadership position in terms of net subscriber additions under MNP facility. A net gain of around 2.9 million subscribers with a lowest port out ratio of 0.62 subscribers reflects the strong faith of over 113 million customers in your Company's quality of network, better customer services, customer centric product offerings and superior brand strength.

Your Company won 3G spectrum in 11 service areas and has entered into roaming arrangements with other operators to offer 3G services in the remaining service areas (except Orissa). The 3G reach of your Company has been extended to more than 3,000 towns and 10,000 villages in 20 service areas. This allows its 113 million subscribers to experience the world of faster internet with the speed of upto 21 Mbps, video calling, Mobile TV, Idea Mall applications store and many other futuristic services. The "Idea brand" 3G handsets at attractive price points launched this year have met with an encouraging response.

Your Company enjoys the pole position in terms of quality of subscribers in this industry. The ratio of VLR (active) subscribers to reported subscribers is over 93%, the highest in the sector and significantly higher compared to the industry average of 74%. Your Company is today the third largest Indian wireless operator, in terms of total VLR subscribers.

The biggest overhang is the regulatory environment in the sector which are detrimental to the sector's future. However, your Company has improved its competitive standing in the Indian wireless market, across all parameters. The service areas specific strategy has enabled your Company to focus and consolidate its position in established service areas while following a calibrated approach in the new service areas. Based on the strong balance sheet, coupled with the growing cash generation, your management is confident that it will tide over the current regulatory phase, emerge stronger, consolidate its position in the telecom voice market and participate aggressively in the evolving wireless broadband business.

To our teams

I thank of all our teams for their solid performance, undiluted commitment and laser sharp focus on delivering results.

The Aditya Birla Group in perspective

Despite a choppy global economy, our Group turned in a solid performance in FY 2011-12, anchored by our 133,000 strong workforce comprising 42 nationalities spanning 36 countries. Our consolidated revenues were a little over 40 billion dollars, reflecting a 14% growth.

It is my abiding belief that our people are the single most important enablers from every perspective. It is with a sense of deep pride that I share with you the fact that our continuous investment in the people area has paid rich dividends. Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies.

I personally am convinced that we are now forging ahead on the people front. Our dedicated efforts in enhancing the quality of life of our employees and their families, continues unabated.

Our Talent Management and Leadership Development processes have been further enhanced, to meet our very specific talent requirements, with many more employees being included. To mention a few, launched:

It is my abiding belief that our people are the single most important enablers from every perspective.

- a Global Manufacturing Leadership Program to induct lateral recruits and fortify our technical talent in our Units.
- a Continuing Education Policy to support managers in acquiring higher specialist education for skills upgradation while they continue to be in their jobs.
- "Cutting Edge", the accelerated P&L Leadership development Program, to enable function leaders to transition to P&L roles.
- And over 30,000 touch points to our learners through multiple learning formats. With these the number of people being targeted for honing competencies and developing skills has risen many times over. This is in sync with our "World of Opportunities" proposition. The customization of these learning programmes is far sharper this year on.

Beyond Business

Given that our employees have a desire to contribute to the larger community, including those of their colleagues who need support, we are setting up a new trust called the "World Of Opportunities Foundation", thorough which our employees can contribute to supporting the higher education of children in need.

Last Man Standing-First Man Forward

And finally let me add that over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses. And when we do face a downturn today, from our position of strength, the message I want to convey is that, the last man standing has the best chance at being the first man forward. The first man forward to consolidate market positions, to show superior performance in each industry and get a few steps ahead of competition.

Yours sincerely,

Our Group has been ranked fourth in the Global Top
Companies for Leaders and first in Asia Pacific in the
Top Companies for Leaders'
2011 study conducted by
Aon Hewitt, Fortune and the RBL Group.
470 companies worldwide participated in this study.
This recognition is personally heartening for me, given that we have competed against the best

of breed global companies.

Kumar Mangalam Birla

To the 100 million Indians who chose Idea,

We thank you for helping us reach the milestone of 100 million customers.

* Mobile Services * High Speed 3G Data Services * Idea 3G Smartphones * Idea Netsetter * Idea App Store * Idea TV 'Best Brand Campaign' at the World Communication Awards, 2011 \ No. 1 'Telecom Employer of Choice' by Great Place to Work, 2011.





Contents

1 Corporate Information 3 Performance Highlights Management Discussion and Analysis Report Directors' Report 11 Corporate Governance Report 19 Auditors' Report 32 **36** Balance Sheet 37 Statement of Profit and Loss Notes forming part of the Financial Statements 38 Cash Flow Statement 63 Consolidated Financial Statements 65 Auditors' Report Consolidated Balance Sheet Consolidated Statement of Profit and Loss 67 Notes forming part of the Consolidated Financial Statements 68

91 Consolidated Cash Flow Statement

