



# EXPANDING THE INDIA PRESENCE

*Investor Presentation*

25 June 2008

## The End-Game

### TMI Strategy - India

### Transaction Rationale

### Valuation

### Transaction Steps

### Conclusion

**Note: 1) For the purpose of this document exchange rate has been assumed at 1 US\$ = INR 42.94**

**2) All number mentioned in following slides have been calculated assuming 100% response to the Mandatory Open Offer (MGO) by public shareholders of Spice under SEBI rules. Any change in MGO acceptance will result in a change in the actual numbers compared to those presented in this presentation**

**3) Certain Financial Data provided in this report is based on quarterly releases of individual companies and may be unaudited or preliminary**

1. TMI to move from being a 39.2% owner in Spice Communications (2 circle operation with ~80 mn population coverage) to being the second largest shareholder in merged Idea+Spice, a leading telecom player in India (13 circle operation, >700 mn population coverage); From a #8 player with 1.6% market share to #5 player with 11% market share<sup>^</sup>

2. TMI to be 2<sup>nd</sup> largest shareholder in merged Idea through merger of Spice into Idea, in addition to a outlay of US\$ 1,820 mn at an average price per share of INR 136/ share.

3. Completion of a 2-stage entry into India for TMI . Stage 1, regional footprint via Spice. Stage 2, national footprint via Idea. Idea to embark on a national roll-out in the next few years

4. Cash injection of US\$ 1,060 mn into Idea's operations, for immediate organic expansion and roll-out on a pan-India basis

**A strategic move with the objective of becoming a Pan-India operator in the fastest growing wireless market in the world**

*Numbers mentioned in this slide are indicative have been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO and could differ from the numbers presented in this slide. <sup>^</sup> March 08 number*

*Source: COAI, Idea Disclosures*

# Spice and Idea – A Side-by-Side Comparison

	SPICE	IDEA	COMBINED **
No. of Operational Circles	2	11	13
Population Covered (Mn)	~80	~640	~720
No. of Subscribers (Mn) – March 2008	4.21	24.00	28.21
No. of Employees	1,000	6,107	7,107
Revenues (USD Mn)	223	1,569	1,792
EBITDA (USD Mn)	52	528	580
Total Balance Sheet Size (USD Mn)	635	2,686	3,321
Net Block (incl Capital WIP) (USD Mn)	411	2,496	2907
Net Debt (USD Mn)	274	632	906

*Spice Financials are for FY ended December 2007, while Idea Financials are for FY ended March 2008*

**Spice has 7.8 MHz in Punjab and 6.2 MHz in Karnataka in the 900 MHz band. Idea has spectrum in 7 circles in the 900 MHz band and in 4 circles in the 1800 MHz band**

*Note: Spice employee number is an estimate*

*Idea Net Debt calculated after accounting for US\$ 640 mn received from Providence for Indus / Bihar stake, excluding impact of proposed preferential offer  
Certain Financial Data presented on this slide is extracted from quarterly releases of companies and may be unaudited or preliminary*

*\*\* The combined column is give for illustrative purposes doesn't really reflect the simple addition of key derivatives in post merger entity*

*Source: Company Disclosures*

The End-Game

TMI Strategy - India

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**“Participate in the fastest expanding telecom market in the world with low penetration and enormous potential”**

## STAGE 1

Entry into India’s growth market with a regional footprint via Spice.



## STAGE 2

Accelerate participation in India with an expanded national footprint via inorganic or organic growth

National roll-out in the next couple of years

**India a key component of TMI’s aspiration to become a regional mobile champion**

The End-Game

TMI Strategy - India

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# Summary: Rational for the Transaction

Rationale #1 – India is a must given significant growth potential

Rationale #2 – Accelerate Participation in growth through consolidation/ inorganic means;  
Timing is crucial

Rationale #3 – Idea and Spice is the ideal combination

Rationale #4 – Merger of Idea & Spice brings additional benefits to both parties

Rationale #5 – Meets the Investment Criteria

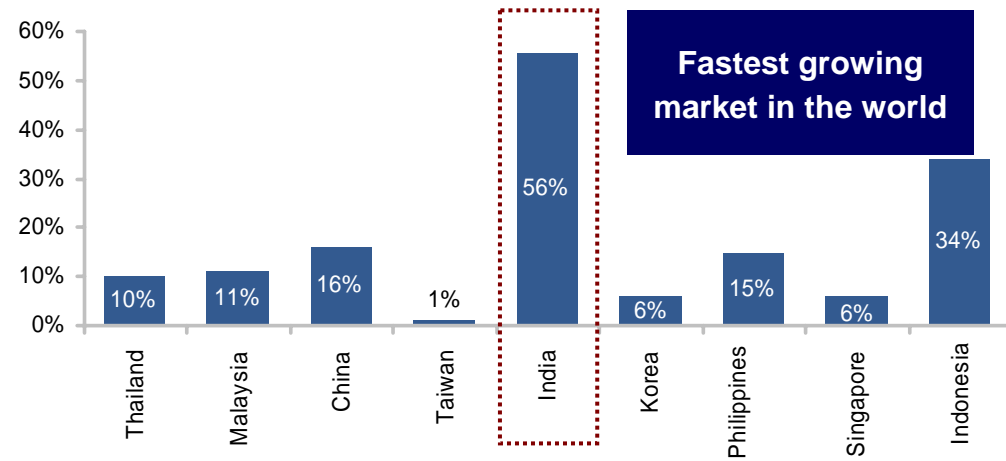
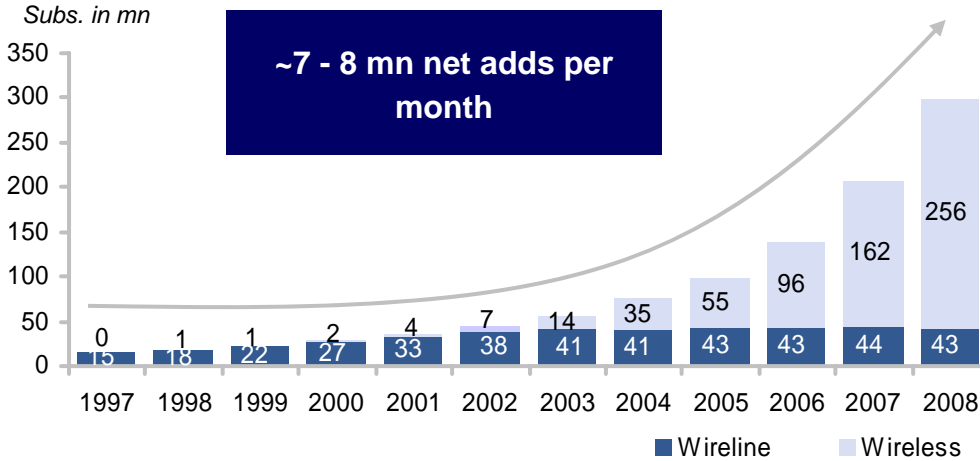


# Rationale #1 – India is a must given significant potential

## India continues to grow rapidly and stands out vis-à-vis regional peers

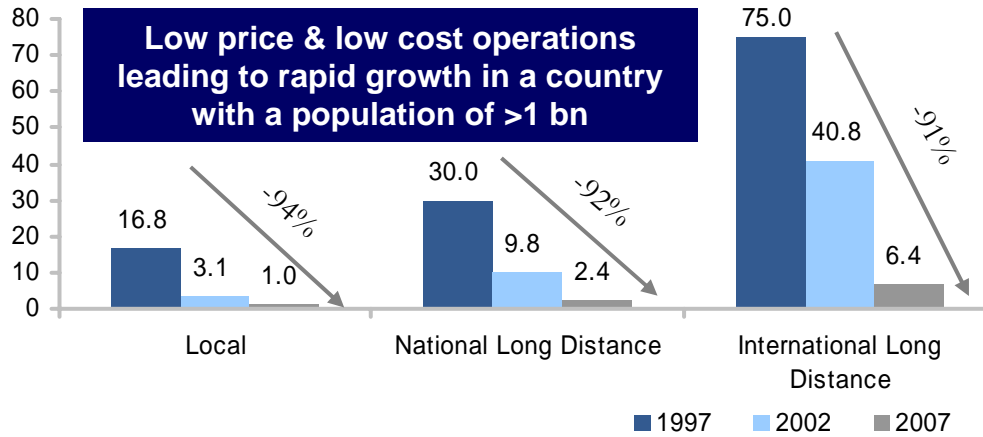
TELECOM SUBSCRIBER GROWTH DRIVEN BY WIRELESS

EST WIRELESS SUBS GROWTH (DEC 06 -DEC07)\*



### KEY DRIVER – IMPROVING ECONOMICS

Per minute call charges (INR)



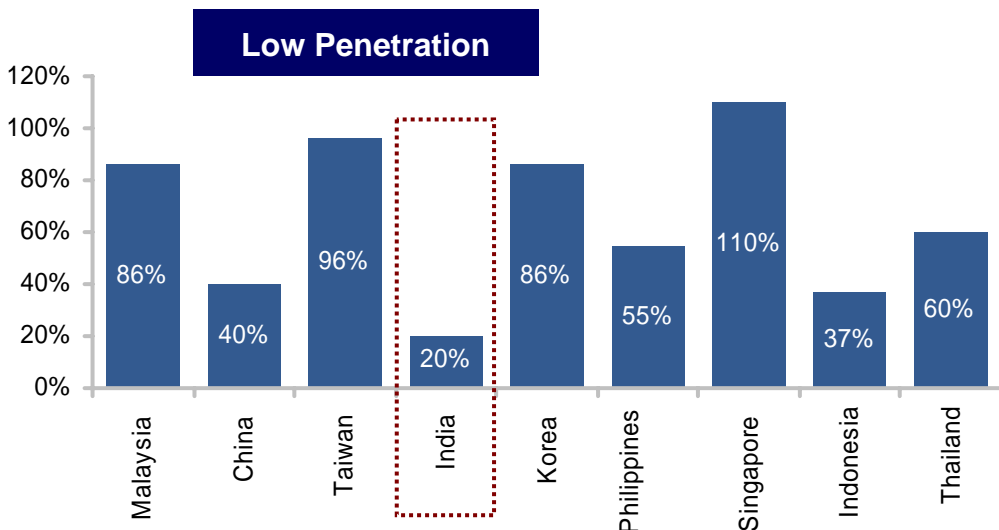
\*Based on TRAI estimates, wireless subscriber growth number for India is actual

Source: TRAI, DoT, COAI, AUSPI

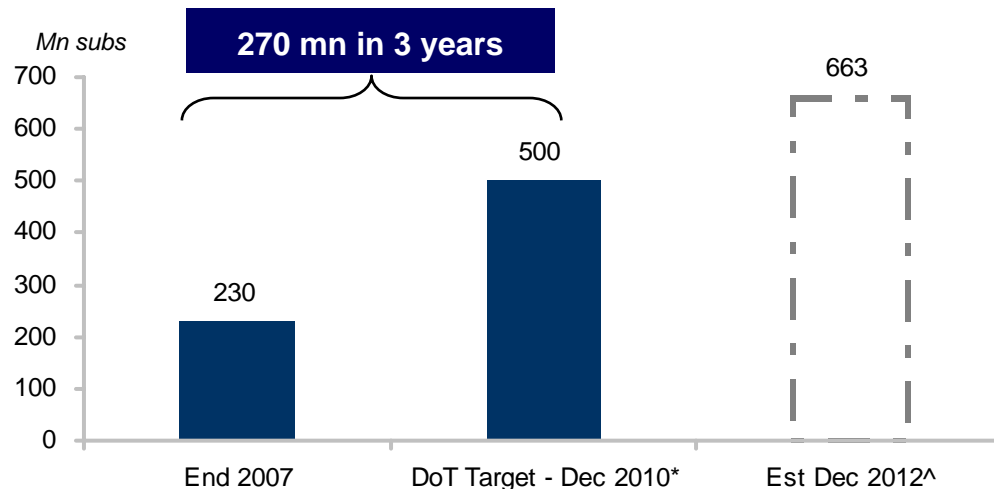
# Rationale #1 – India is a must given significant potential

...With low penetration and improving economics, growth expectations remain strong

EST WIRELESS PENETRATION (DEC 2007)



EXTRAPOLATION OF THE GROWTH



- Strong growth opportunity – both DoT and TRAI expect the industry to grow at >25% CAGR
- Estimated Headroom of approx 200 - 300 by 2010 and 350 - 450 mn by 2012
- Headroom for growth in India from 2007 to 2012 is equivalent to the total expected growth of current TMI footprint and practically the whole of TMI's target region (excl India)

\*Target set by the Government of India

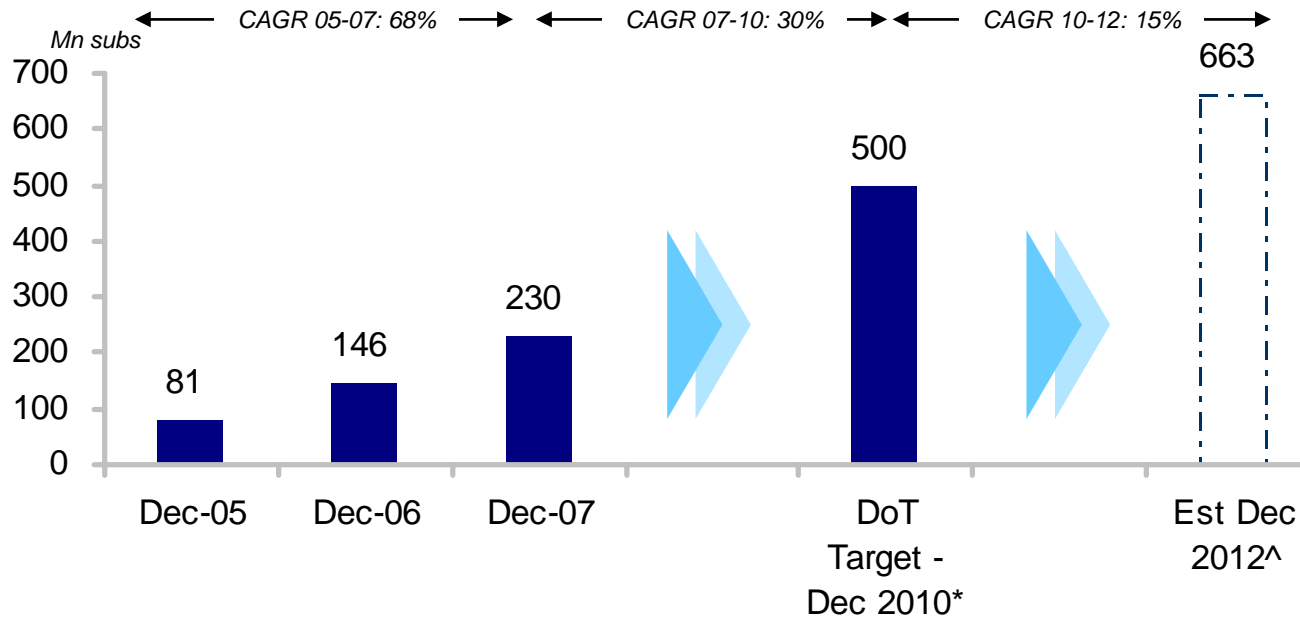
^ Estimate by Ovum

Source: TRAI, DoT, Ovum

# Rationale #2 – Accelerate Participation in the growth through consolidation / inorganic means

## Essential to capture the growth early

### EXTRAPOLATION OF THE GROWTH



\*Target set by the Government of India ^ Estimate by Ovum

By the end of 2012, penetration levels will be in the 55%^ range – market expansions to slow down

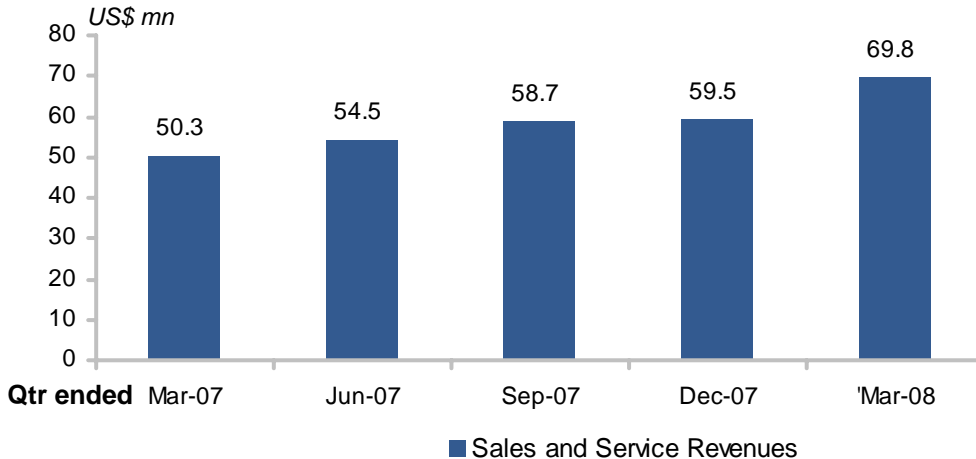
**Conclusion: The 'India Opportunity' is now and any delay would reduce ability to capitalize on rapid growth**

Source: TRAI, DoT, Ovum, COAI, AUSPI

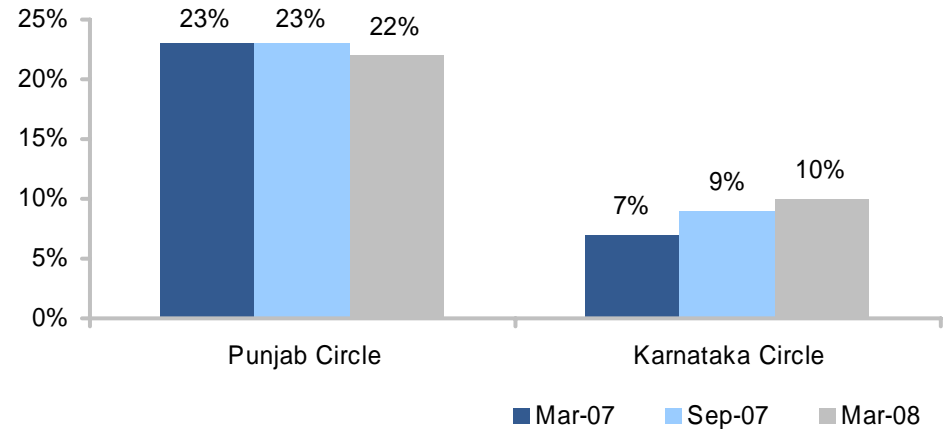
# Rationale #2 – Accelerate Participation in the growth through consolidation / inorganic means (contd.)

## Spice has performed reasonable well ...

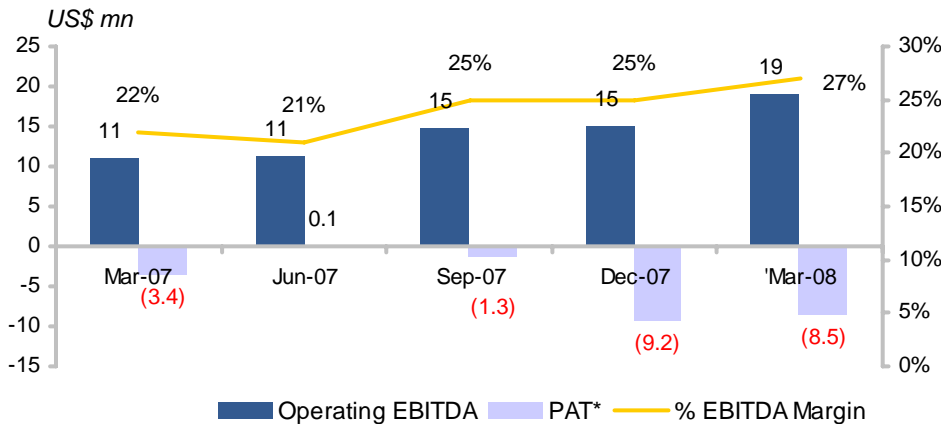
SPICE QUARTERLY REVENUES (US\$ MN)



SPICE MARKET SHARE



SPICE QUARTERLY EBITDA & PAT (US\$ MN)



- Spice revenues have grown at an average of 8.5% (q-o-q) from March 2007
- Spice EBITDA margins have been expanding over the past few quarters
- Spice had also retained its market share and position in Punjab and has been able to expand market share in Karnataka

Source: Investor Presentations of Spice

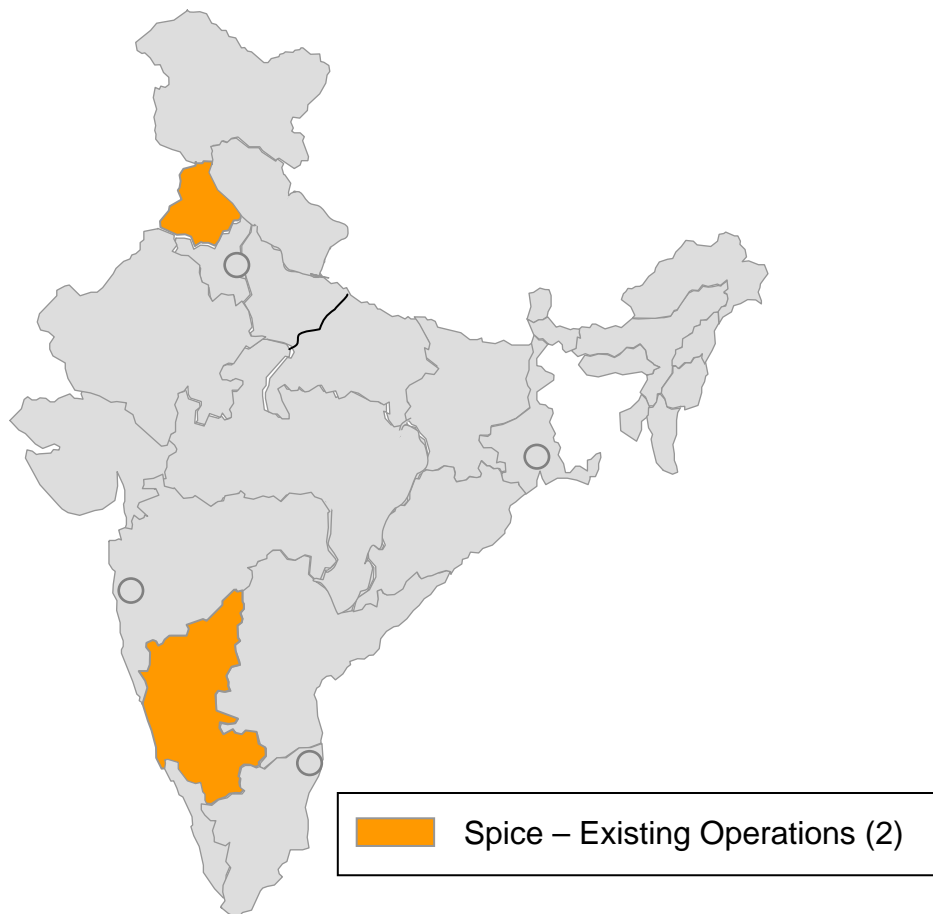
Note: Certain Financial Data presented on this slide is from the quarterly releases of Spice and may be unaudited or preliminary

\*Including Other Income but excluding Profit on sale of passive infrastructure

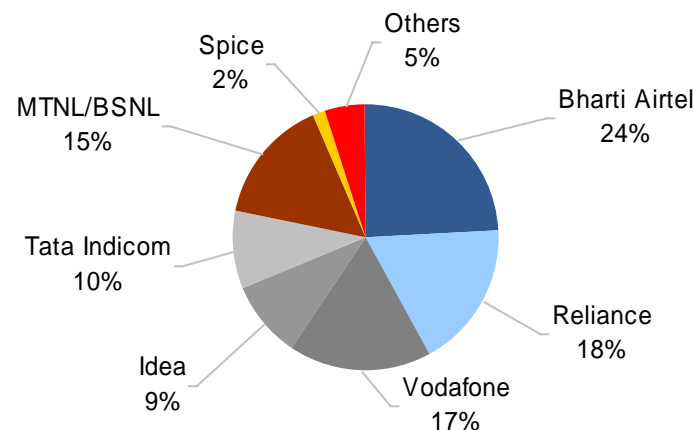
# Rationale #2 – Accelerate Participation in the growth through consolidation / inorganic means (contd.)

... but still subscale as a regional player and would need 3 to 5 years to rollout nationally

## SPICE MARKET PRESENCE



## PAN-INDIA MARKET SHARE (MAR 2008)



- However, Spice continues to be a 2 circle regional player
- Marginal national market share
- Currently owns 4 additional licenses – 1 to 2 years to rollout (including spectrum availability); and additional 1 – 3 years for Pan-India rollout.
- Within the rollout period, would lose significant opportunity to capitalize on the market growth.

Note: The above is a circle wise map of India displaying telecom circles. The political state boundaries may be different

Source: TRAI, COAI, AUSPI, Spice Disclosures

## Rationale #2 – Accelerate Participation in the growth through consolidation / inorganic means (contd.)

... at the same time, bigger players with economies of scale are entering Spice's existing circles and entering / strengthening positions in other circles; new players would increase competitive intensity

- India currently has 12 wireless service providers and the number is expected to expand to at least 17
- Fragmentation of scarce 2G spectrum – an industry challenge
- Small new entrants would have limited economies of scale and would find it difficult to compete with established national players with strong execution capabilities

**Consolidation imminent – TMI to lead market consolidation in India**

## PAN INDIA PRESENCE

- Idea gives us a near Pan India presence (70% of the population coverage), and provides ability to compete with larger players who enjoy benefits on capex and operational fronts (network efficiencies, tariff pricing, national marketing etc).
- Idea already has licenses for all remaining circles – National Rollout in the pipeline – Infusion of US\$ 1,060 mn by TMI primarily aimed at providing funding support to national roll out aspiration.

## NO OVERLAP

- Combination of Spice & Idea would have a presence in 13 circles covering ~70% of the Indian population, with no operational overlaps of existing circles

## # 5 NATIONAL PLAYER FROM # 6 AND # 8 RESPECTIVELY

- The combined entity would be the 5th largest operator in India (by subscribers, based on Mar 08 numbers) with 28.2 mn subscribers

## IDEA AS A SOLID PARTNER

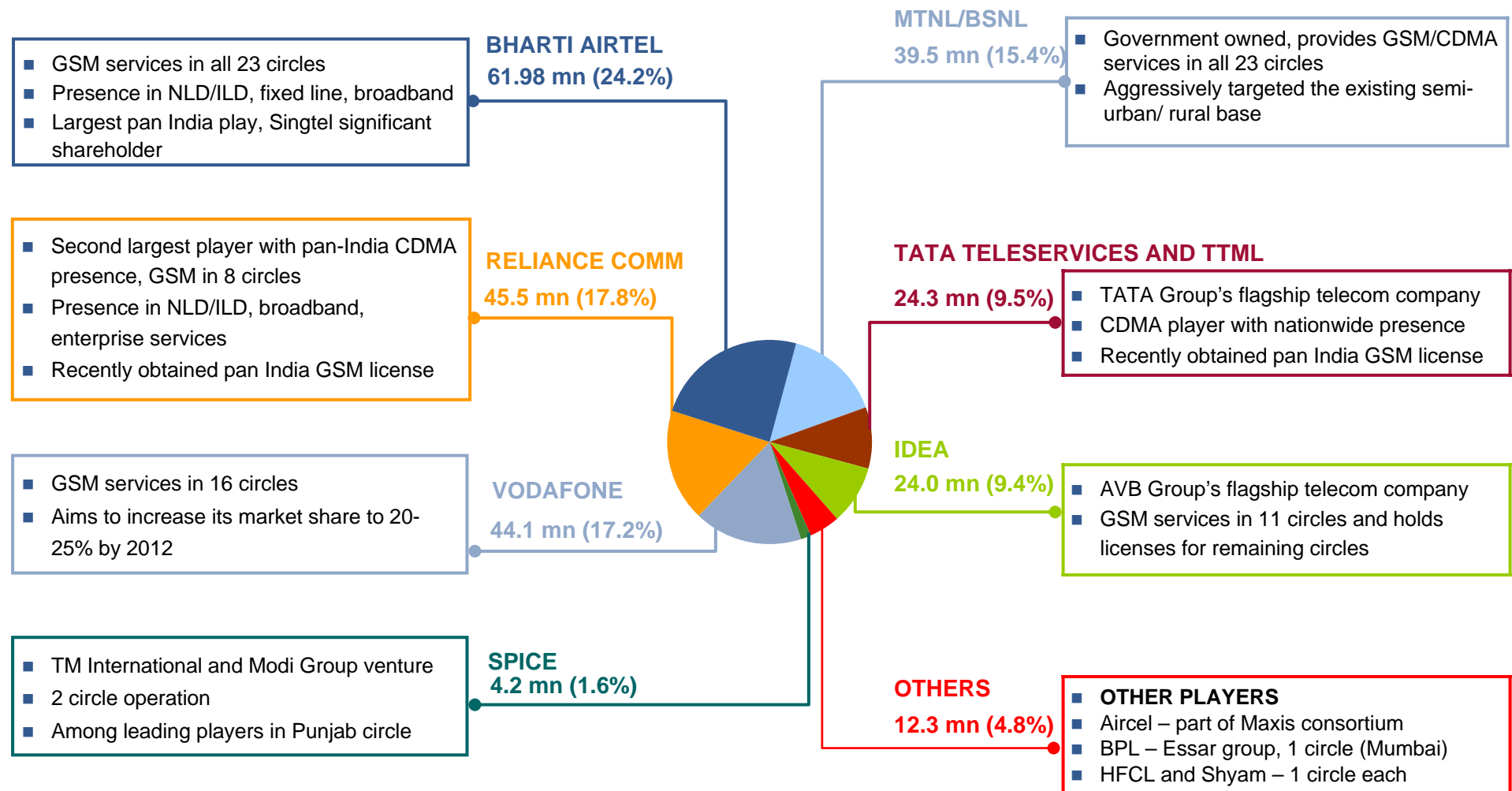
- Idea is a company with strong fundamentals supported by the respected Birla Group in India

*Note: Idea infusion amount mentioned in this slide is indicative and has been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO and could differ from the numbers presented in this slide*

*Source: COAI, AUSPI, Idea Disclosures*

## Existing Landscape – Indian wireless market

**TOTAL WIRELESS MARKET - 256 Mn SUBSCRIBERS – DOMINATED BY FEW LARGE PLAYERS**

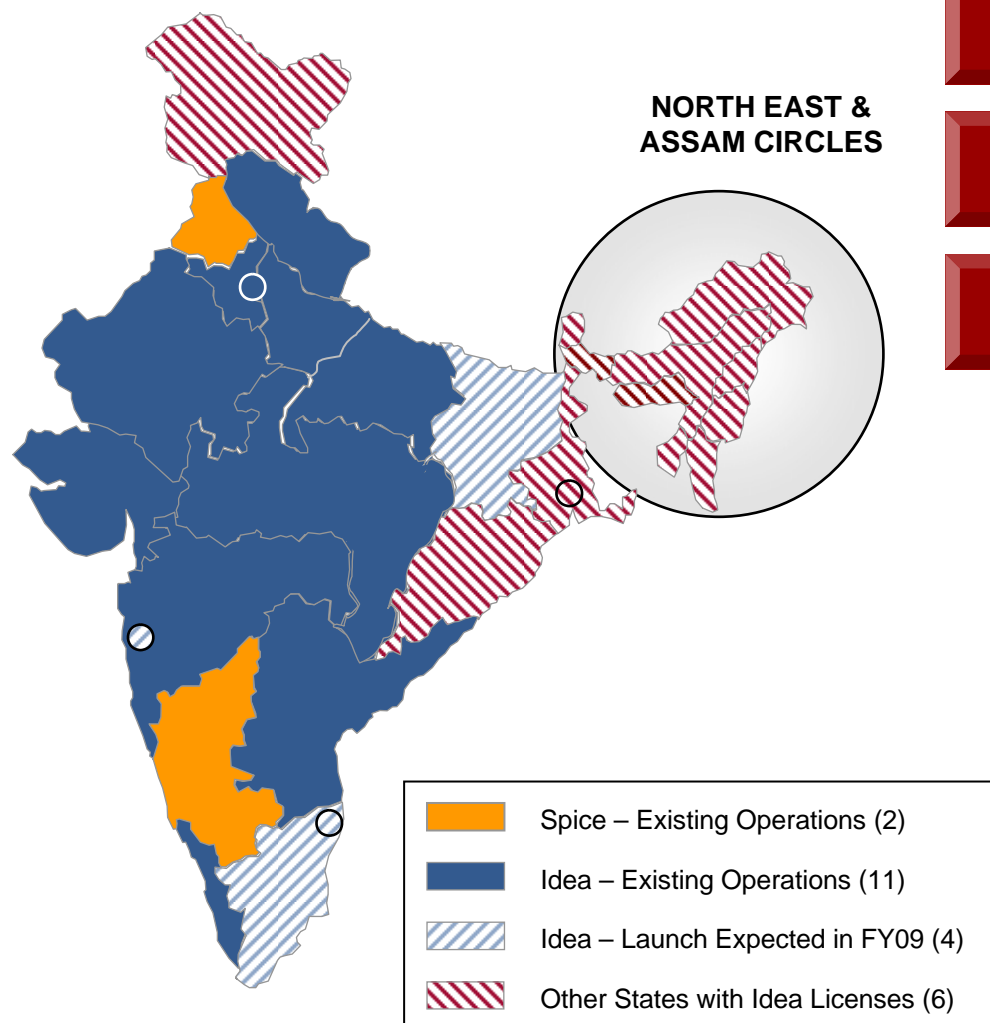


Source: AUSPI, COAI Subscribers as of March 2008



# Rationale #3 – Idea and Spice is the ideal combination (contd.)

## CURRENT DEAL EXPANDS COVERAGE SIGNIFICANTLY WITH NO OVERLAPS



The combined entity would have operations in 13 circles (>700 mn population covered) with licenses in the rest

No overlap between existing operational Spice & Idea circles

Idea to roll-out in the remaining circles and be a pan-India operator in next few years

Current Idea	Market Share	Rank
Maharashtra	23.6%	1
Gujarat	15.6%	3
Andhra Pradesh	16.0%	3
Madhya Pradesh	25.5%	1
Delhi	11.7%	5
Haryana	15.6%	4
Kerala	24.2%	1
Uttar Pradesh (W)	20.2%	2
Rajasthan	6.2%	6
Uttar Pradesh (E)	6.1%	6
HP	3.4%	6
Current Spice	Market Share	Rank
Karnataka	9.8%	5
Punjab	22.1%	2

Note: The above is a circle wise map of India displaying telecom circles. The political state boundaries may be different

Source: COAI, AUSPI, Idea Disclosures

Idea is a strong partner with excellent performances, part of a reputed group with good corporate governance

- 1** Idea is the telecom arm of the AV Birla Group, one of the largest and most respected business houses in India
- 2** Idea has been one of the strongest performers in terms of subscriber growth in the past couple of years
- 3** The Birla group has strong financial ability and is capable of funding future growth and managing the local environment

# Rationale #3 – Idea and Spice is the ideal combination (contd.)

## Strong Partner - Aditya Birla Group

A conglomerate with ~US\$ 28 billion in sales with a market capitalization of more than US\$ 30 billion

Employs more than 100,000 employees and has operations in 20 countries worldwide

Group companies are market leaders in respective sectors in India and in the world

Hindalco / Novelis is the largest aluminum rolling company in the world

Grasim is a global leader in viscose staple fibre

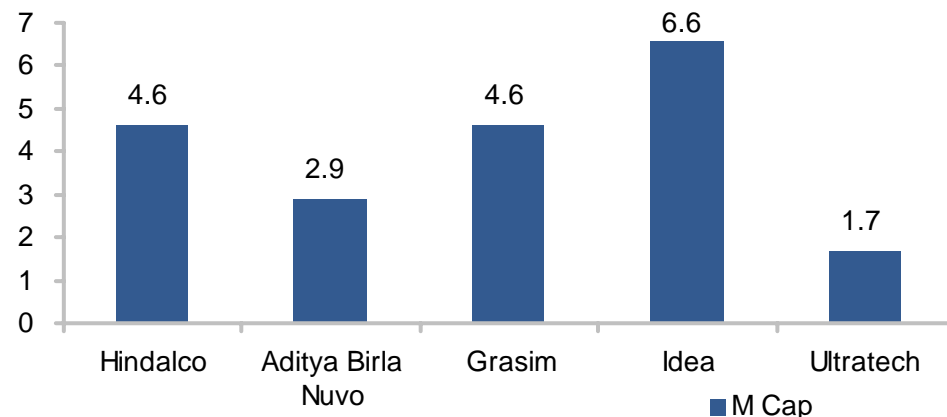
Grasim / Ultratech is the 11<sup>th</sup> largest cement producer globally

Birla Group is the 4<sup>th</sup> largest carbon black manufacturer globally

Madura Garments in India's leading apparel and branded garments company

### CURRENT M CAP – KEY COMPANIES

US\$ bn



Source: Bloomberg, 20<sup>th</sup> June 2008

Source: AV Birla website

### Idea – A national player with plans to become a Pan-India operator

- India's 6th largest wireless operator with 24 mn subscribers (9.4% share of the wireless market)^
- Operates in 11 telecom circles - launched commercial operations in 3 circles in Sep-Nov 2006
- Rapid expansion plans
  - Has already procured Licenses for the remaining circles
  - Launch planned in Mumbai & Bihar in Jul-Sep 2008 and in Tamil Nadu & Chennai tentatively in the 4<sup>th</sup> quarter of CY2008
- With these 15 circles Idea will cover approximately three fourths of the Indian wireless market
- 12.8% effective stake in Indus Towers – a joint venture with Bharti & Vodafone, pooling together 70,000 towers

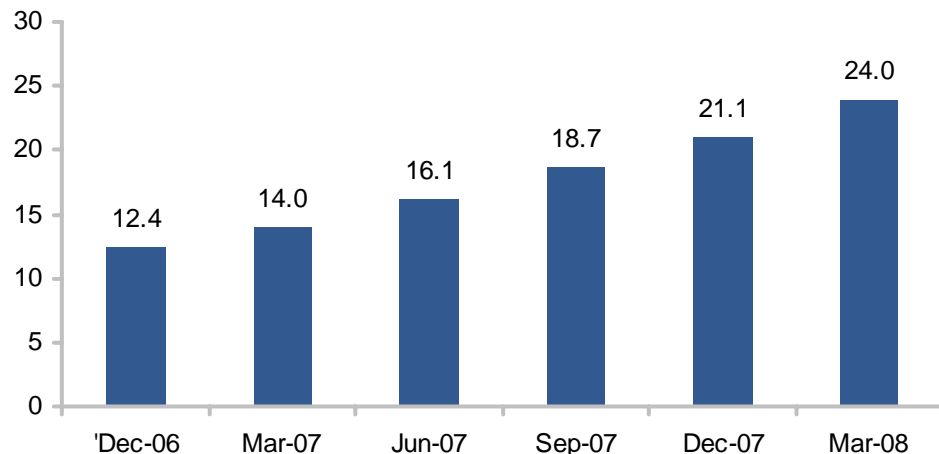
*^Based on March 2008 subscriber numbers*

*Source: COAI, AUSPI, Idea Disclosures*

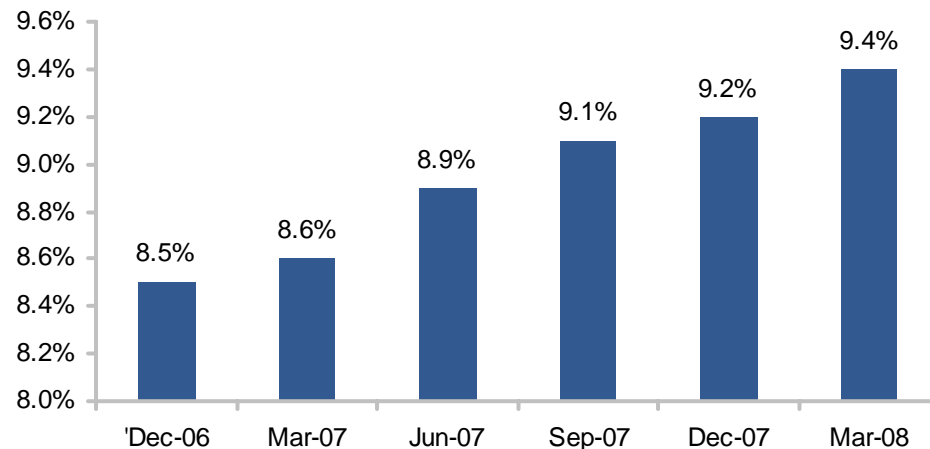
# Rationale #3 – Idea and Spice is the ideal combination (contd.)

## Idea has a strong operational track record...

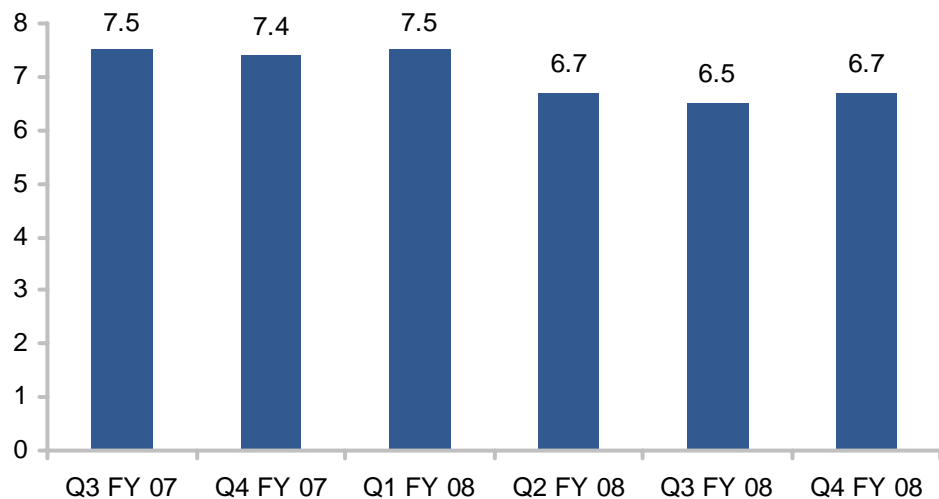
**TOTAL SUBSCRIBERS (MN)**



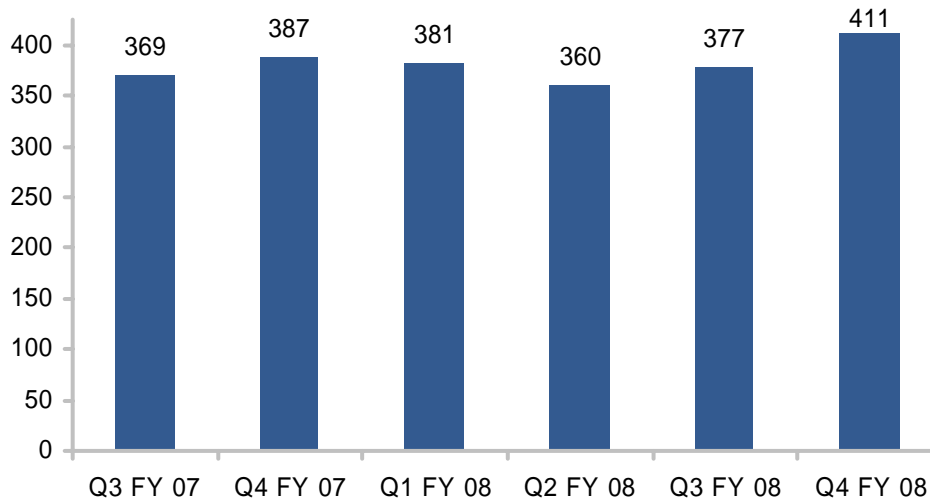
**PAN INDIA MARKET SHARE**



**ARPU (US\$)**



**MOU (PER MONTH/SUBSCRIBER)**



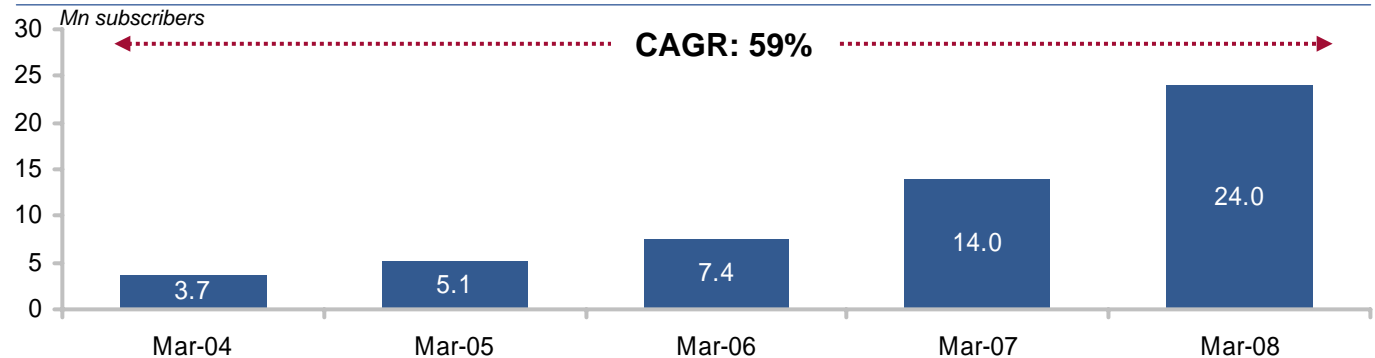
Source: Idea Disclosures

## ... with faster growth compared to the industry

**IDEA CELLULAR-  
GROWING FASTER  
THAN THE INDIAN  
WIRELESS  
INDUSTRY**

- In FY2007-08, Idea's subscriber base grew 71% (wireless industry subscriber growth 58%)
- Entry into new circles positions Idea well for rapid growth going forward

### STRONG SUBSCRIBER GROWTH



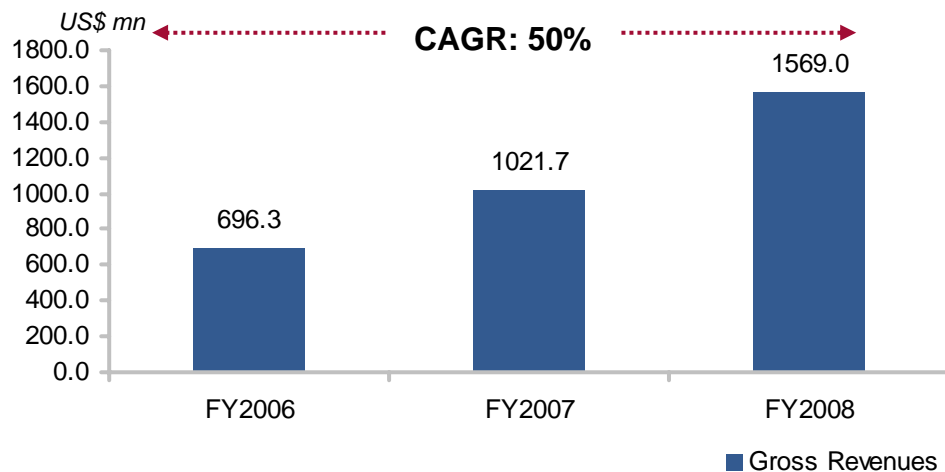
**OPPORTUNITY TO  
LEVERAGE PASSIVE  
INFRASTRUTURE  
RESOURCES**

- In Dec 2007 Idea, Bharti and Vodafone merged their existing passive infrastructure assets in 16 circles in India - Indus Towers
  - Around 70,000 sites at inception, rollout in the 16 circles planned
- Idea owns 12.8% effective stake in Indus (Vodafone and Bharti own 42% each)
- Potential upside through presence in the attractive India tower industry
  - Large cell site requirements in India, exacerbated by spectrum limitations
  - 3G, WiMax and Mobile TV and data services roll-out
  - Entry of new operators and circle expansion of existing operators

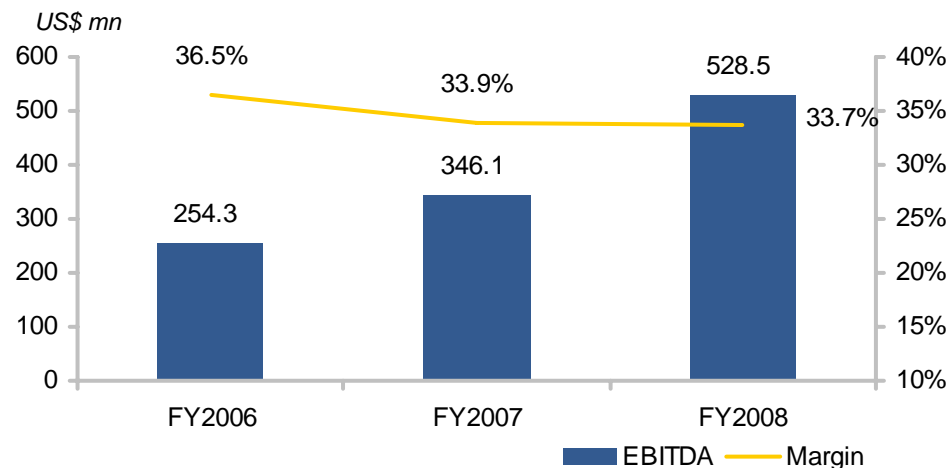
# Rationale #3 – Idea and Spice is the ideal combination (contd.)

... leading to excellent financial results and good position for the future

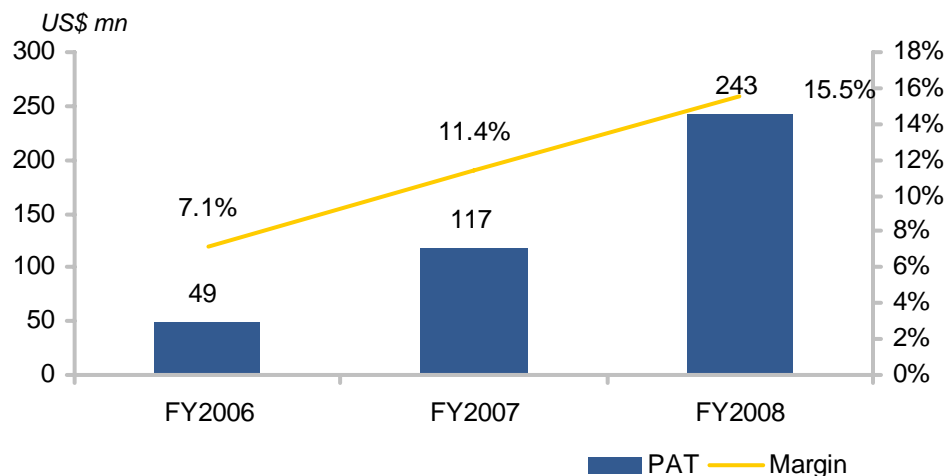
**IDEA ANNUAL REVENUES (US\$ MN)**



**IDEA ANNUAL EBITDA & MARGINS (US\$ MN & %)**



**IDEA PAT & MARGINS (US\$ MN & %)**



- Strong revenue growth
- Robust EBITDA margins and excellent PAT growth

Source: Idea Financial Releases

Note: Certain Financial Data provided on this slide is based on quarterly releases of Idea and may be unaudited or preliminary

# Rationale #4: Merger of Idea & Spice brings additional benefits to both parties **TMI**

BENEFITS  
TO  
TMI

- Merged entity will have a greater ability to garner marketshare; with a larger subscriber base, the merged entity can provide better on-net deals to subscribers, lower inter-connect expenses, better roaming plans (international with TMI), discounted IDD traffic etc – will result in enhanced ability to compete with the leader and relatively faster topline growth
- TMI will have access to first hand experience in new emerging business models viz. PAYG, managed services, active/passive infrastructure sharing, hostel VAS etc
- Economies of scale and better bargaining ability with suppliers for expansion capex

A Business co-operation Forum to be formed to facilitate synergies and knowledge sharing

BENEFITS  
TO  
IDEA

- Fresh capital infusion into Idea of US\$ 1060 mn (net of MCorp purchase), to finance the expansion of footprint to a India-wide level
- Ability to leverage TMI's regional experience especially in more matured markets & expertise in 3G businesses as India moves into the next technology wave
- Opens up opportunities for synergy initiatives and provides ability to share best practices with TMI Group including roaming, procurement, product/ services (eg – m-remittance, etc)

*Note: Idea infusion amount mentioned in this slide is indicative and has been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO and could differ from the numbers presented in this slide*



- Idea is a profit making company with a PAT of INR10,423 mn (USD 243 Mn) in the year ending March 2008 and has exhibited sustained operational profitability over the recent past
- If TMI were to pursue the 'roll-out' plan in Spice, substantial capital infusion required – would be earnings dilutive for the next a 4-5 years
- Combination is expected to become earnings accretive (post financing costs) in the first full year of operations
- By 2012, the combination could yield 15-18% of TMI's consolidated profits (based on existing portfolio), with the proportion increasing going forward
- Investment carries a Project IRR in the range of mid to high teens over a 5 year time horizon
- Investment provides immediate cash injection into Idea's operations to accelerate rollout

*Note: Certain Financial Data provided on this slide is based on quarterly releases of Idea and may be unaudited or preliminary*

The End-Game

TMI Strategy - India

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All numbers in US\$ mn , unless otherwise specified

<b>Outlays for TMI (US\$ mn)</b>	<b>1,820</b>
Implied Enterprise Value of Merged Entity	10,293
<u>Consensus EBITDA Estimates - Consolidated (FY2009E ended March 2009)</u>	
Idea EBITDA	735
Spice EBITDA	88
<b>EBITDA of Merged Entity</b>	<b>824</b>
<b>EV/09E EBITDA - based on Consensus Estimates</b>	<b>12.5x</b>

*Note: Spice EBITDA estimates are available for FY ending December. Converted to March year ending on a proportionate basis*

*Above analysis is based on Blended Cost of acquisition Including Cost of original Spice purchase for US\$ 179 mn*

*EV Calculation includes impact of recent Idea-Providence deal and impact of preferential issue of shares*

*Source for Consensus Estimates: Bloomberg*

*Numbers mentioned in this slide have been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO and could differ from the numbers presented in this slide*

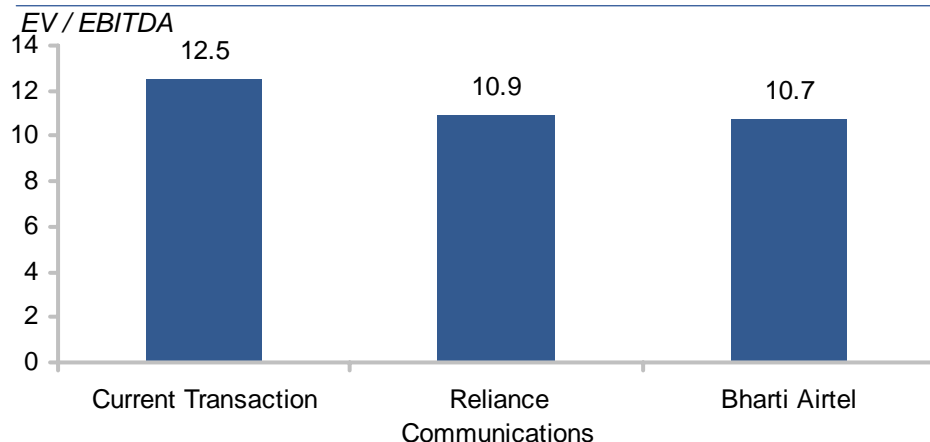
- **The average cost of acquisition of shares in Idea for TMI, on a blended basis, is INR 136 per share, which is a 37.2% premium to Ideas last traded price<sup>^</sup> and a 29.9% premium to 3 month average price**
  - However target prices ascribed by research analysts to Idea are up to INR 175 per share, with an average of INR 140 per share
- **Idea is acquiring the Modi Group stake in Spice at INR 77.30 per Spice share (additionally a non-compete premium will also be paid)**
  - INR 77.30 is effectively a 42.2% premium to last traded price<sup>^</sup> of Spice (INR 54.35 per share) and at 74.4% premium to 3 month average closing price of Spice
- **Comparison with peers is set out in the next slide**
  - Based on the following comparison the value offered for the stake purchase appears to be in line with market benchmarks

*Note: Blended cost of acquisition involves inclusion of value of original Spice stake at purchase price*

*<sup>^</sup> Closing price as of 24 June 2008 on BSE*

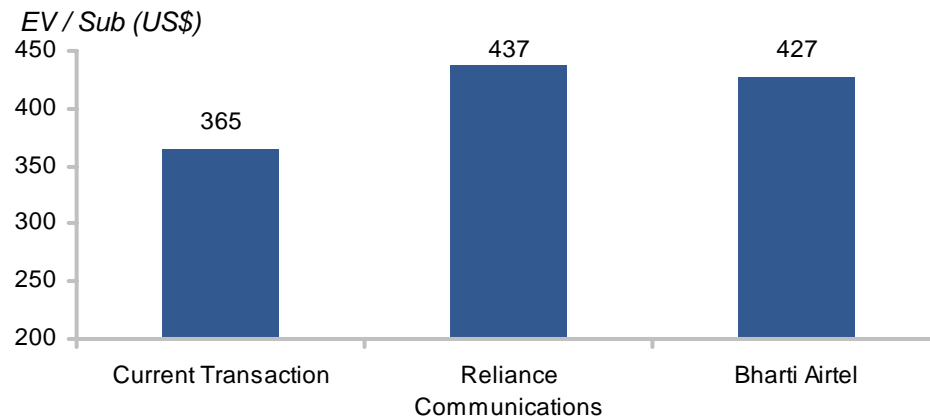
*Source for Stock Prices: BSE Website*

## EV/09E Consensus EBITDA – TRADING MULTIPLES



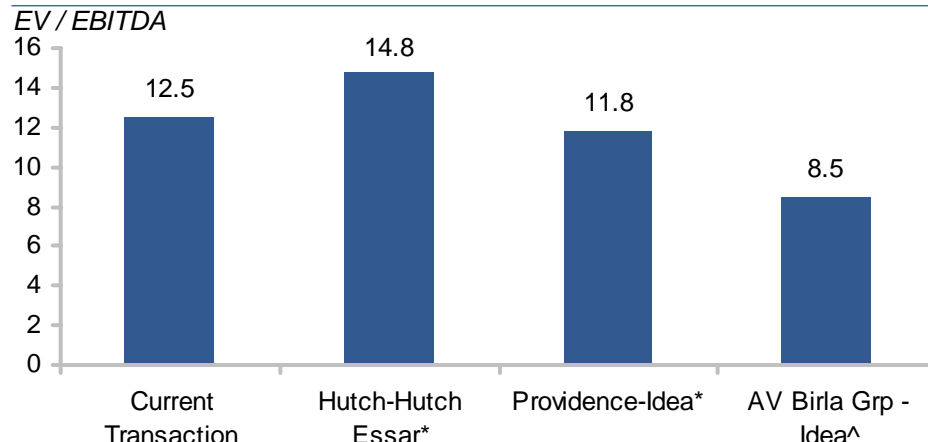
Peer comparables calculated based on 3 month average share price

## EV/SUBSCRIBER (TRADING MULTIPLES)

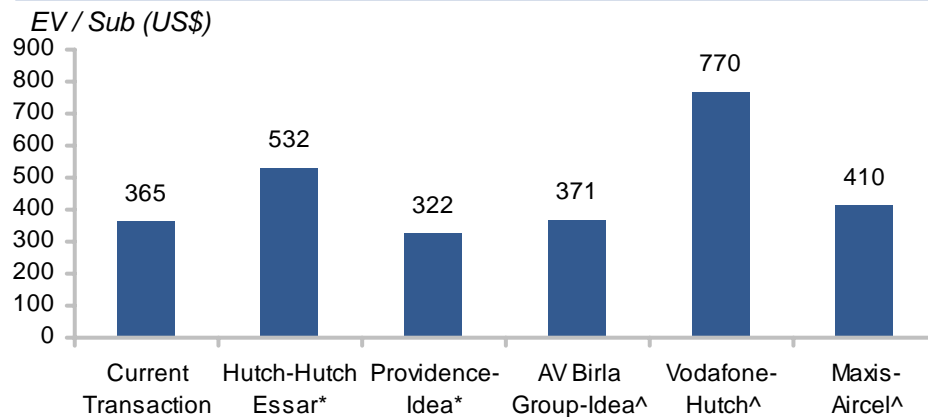


Based on March Subscriber Numbers, 3 month average share price

## EV/EBITDA – 1 YR FORWARD TRANSACTION MULTIPLES



## EV/SUBSCRIBER (BASED ON TRANSACTION MULTIPLES)



\*Non Control Transactions, ^Control Transactions

**Based on comparison with peers, the valuation offered appears fair**

Note: 1) Numbers mentioned in this slide have been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO

2) Transaction multiples for Idea and HTIL are calculated based on actual 1 year forward numbers as reported in their disclosures

3) For the calculation of EV/Subscriber, EV of Bharti and Reliance reduced to account for other businesses

Source: Bloomberg, Mergermarket, Individual Company releases, Idea prospectus

The End-Game

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Preferential Issue of shares in Idea to TMI for 14.99% stake (pre merger, pre ESOP dilution stake)

Acquisition of Modi Group stake in Spice by Idea. participation in the MGO in Spice as a 'person acting in concert', by TMI and Greenacres Agro (a Birla Group Affliante)

Merger of Spice into Idea – 49 shares of Idea to be given for every 100 shares of Spice held by Spice shareholders

**Ability to Equity Account**

**Option for purchase of Greenacres stake in Idea (corresponding to Spice shares acquired by Greenacres in MGO) by TMI**

# Transaction Steps with Idea

	Preferential Offer	Buyout of MCorp by Idea & MGO	Merger of Spice into Idea	AGGREGATE
<b>Total Outlay for TMI (US\$ mn)</b>	<b>1698.8</b>	<b>121.7</b>	<b>-</b>	<b>1820.5</b>
No of Shares issued / purchased by TMI in Idea	464.7	-	165.7	630.4
Cumulative % Stake of TMI in Idea (fully diluted)	14.90%	14.90%	19.00%	19.00%
<i>Days from Signing of SPA →</i>	Day 45	Completion: Day 105	Completion: 6-9 mths	

## Ability to Equity Account

TMI participation in MGO dependant upon regulatory limits

TMI to get one board seat in Idea, and participation in Management Committee

*Note: 1. Numbers mentioned in this slide have been calculated assuming 100% response to the MGO. Actual numbers will depend on the response to the MGO and could differ from the numbers presented in this slide*



- 1** TMI to get one board seat on the Idea Board of Directors
- 2** TMI to get representation on a Management Committee in Idea
- 3** Anti-dilution rights provided to TMI i.e. in all future issuances, TMI entitled to participate proportionately to maintain its equity stake
- 4** Representation and participation in a Business Co-operation Forum with Idea to facilitate knowledge sharing and strategic business input

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Conclusion

- The Combination has the potential to become one of the top 3 - 4 players in the wireless telecom market in India, one of the largest markets in the world
- The best option for faster and most economical India-wide presence to capture window of growth opportunity now and position against bigger players and new entrants
- Strategic, value accretive transaction for TMI, furthers TMI's interest in the fastest growing wireless telecom market in the world
- A unique proposition of both accelerated growth potential and earnings accretive in the first full year of operations with lower execution risks

**THANK YOU**

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