

Telecom

Top pick

Bharti Airtel

Subscriber Watch

June '09

Idea & Airtel put in good show

Reason for report: Monthly update

GSM net adds for June '09, excluding Reliance Communications (RCom), were at 8.9mn versus 8.3mn in May '09, mostly due to higher GSM net adds by Idea Cellular at 1.6mn versus 1.3mn in May '09 and Bharat Sanchar Nigam (BSNL) at 0.9mn versus 0.5mn in May '09. Bharti Airtel (BAL) continued to lead in net adds, with 2.8mn net adds in June '09, while Vodafone Essar's net adds were lower at 2.4mn versus 2.5mn in May '09. Airtel continues its impressive performance, adding 1.1mn subscribers in June '09, partly driven by ~156,000 net adds in Bihar. Idea's higher net adds were partly led by improved performance in two metros – in Delhi, Idea returned to positive net adds share and in Mumbai, the company garnered 30.9% of net adds share.

- ▶ **BAL's 2.8mn net adds were again the highest**, with net add share at 31.7%, taking its subscriber base past the 100mn mark to 102.4mn. For BAL, ~50% of net adds were from five circles of Andhra Pradesh, Bihar, Karnataka, Rajasthan & Uttar Pradesh East, while four metros together contributed only ~6% to BAL's net adds. Vodafone lagged behind BAL at 2.4mn net adds, with net add share of 26.6%, taking its subscriber base to 76.4mn.
- ▶ **Idea's net adds rose to 1.6mn** from 1.3mn in May '09 and its net adds share increased to 18.1%, partly due to Idea's improved performance in two metros. In Delhi, Idea returned to positive net adds after losing subscribers for two months and in Mumbai, Idea's net adds rose to 83,909 from 30,376 in May '09. Idea's net adds share in other recently launched circles remained robust – net add share in Bihar, Orissa and Tamil Nadu were at 27.5%, 14.6% and 6.9% respectively.
- ▶ **Airtel maintained monthly net adds at >1mn**, driven by good performance in the recently launched circles, especially in Bihar where it garnered ~156,000 net adds. Airtel added 87,404 subscribers (32.2% of net add share) in Delhi where it had launched services in March '09; it added 54,392 subscribers in Mumbai (20.1% of net add share), where it launched services in April '09. Airtel also launched services in Maharashtra during the month.
- ▶ **A circle net add share rose to 35.2%** of the total GSM net adds (ex-RCom), while B circle and C circle net adds share declined MoM. A circle net adds rose to 3.1mn from 2.6mn in May '09, while net adds in other three circles were relatively flat MoM.
- ▶ **Competition to intensify with more launches and mobile number portability expected by year end.** Tata Teleservices launched its GSM services branded *Tata DoCoMo* in June, starting with South India with plans to roll-out in 20 circles by October '10.

I-Sec Telecom universe – Valuations

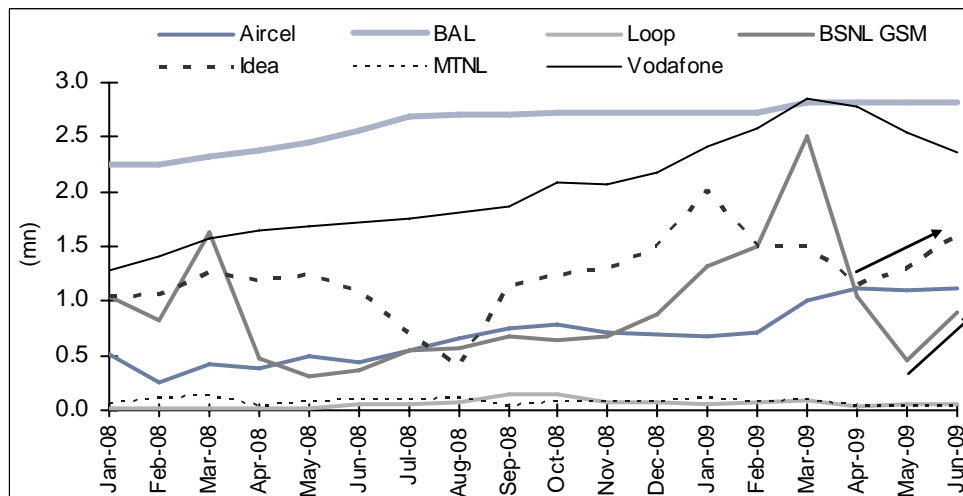
	CMP	Reco	(Rs)	EPS (Rs)			P/E (x)			EV/E (x)		
				FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
BAL	766	HOLD		44.7	55.7	65.2	17.1	13.7	11.7	10.0	8.5	7.2
RCom	237	SELL		28.3	23.2	23.1	8.4	10.2	10.3	5.3	4.4	3.8
Idea	65	HOLD		2.9	2.9	3.4	22.4	22.6	19.3	8.5	5.7	4.6

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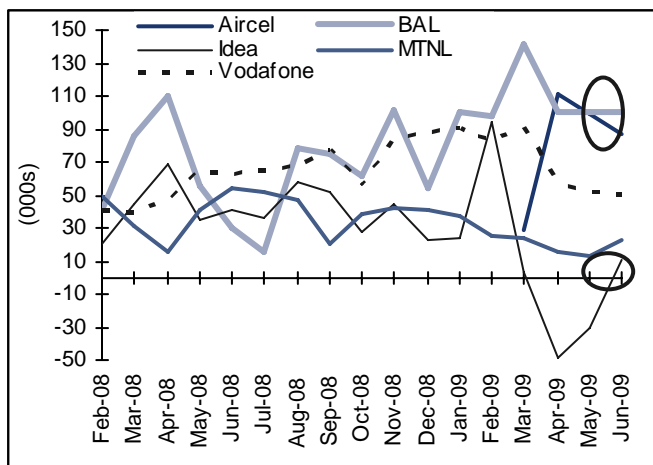
Chart 1: Idea and BSNL improve net adds MoM in June '09

Note: The dip in Idea's net adds in August '08 was due to restatement of subscribers in Spice circles of Karnataka and Punjab

Source: COAI, I-Sec Research

Chart 2: Top two metros – Idea regains some lost share

Delhi – Aircel is #2 in net adds share; Idea back to positive net adds after losing subs for two months



Source: COAI, I-Sec Research

Mumbai – Idea had the highest net adds followed by Aircel; BAL's net adds have been marginalised

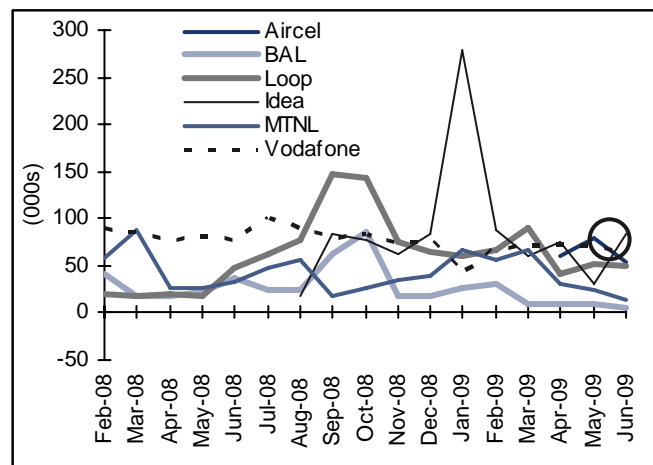
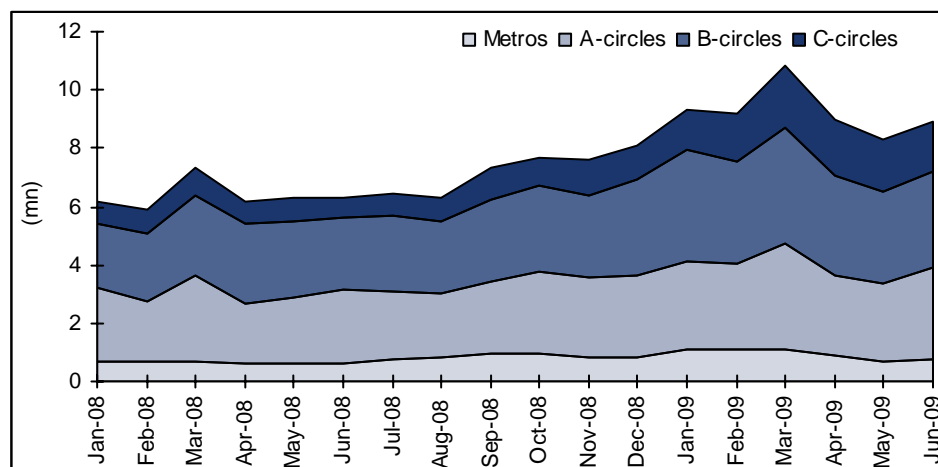
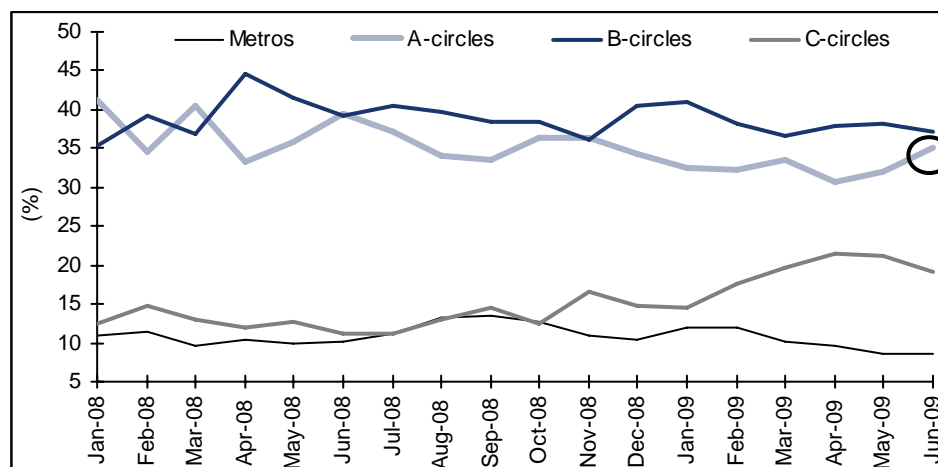


Chart 3: A circle net adds increased MoM to 3.1mn from 2.6mn

Source: COAI, I-Sec Research

Chart 4: A circle share improved; B, C & metro circle shares declined MoM

Source: COAI, I-Sec Research

Table 1: Net adds in recent circle launches

(mn)

Net adds	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Idea - Mumbai	63,191	83,621	278,380	87,343	60,844	74,232	30,376	83,909
Idea - Bihar	75,050	120,192	260,385	77,844	255,590	139,058	199,311	253,506
Idea - Orissa						35,019	65,218	56,668
Idea-TN							6,066	58,460
Vodafone - Assam	15,904	21,214	24,020	31,089	39,533	29,132	41,151	41,537
Vodafone - Bihar	50,182	100,215	151,880	272,731	170,368	277,205	202,583	170,909
Vodafone - HP		10,202	7,169	12,385	14,752	12,386	6,623	7,360
Vodafone - J&K					1,391	54,877	29,396	24,279
Vodafone - MP	25,200	55,016	90,108	80,145	101,031	89,334	88,717	79,171
Vodafone - North East	14,280	17,303	26,088	34,106	55,788	47,030	35,851	27,813
Vodafone - Orissa	41,385	44,373	51,431	51,627	96,381	100,623	90,877	60,157
Aircel - AP					33,258	53,092	70,887	36,939
Aircel - Delhi					28,798	111,212	99,244	87,404
Aircel - Karnataka				1,873	50,958	43,839	48,356	49,096
Aircel - Kerala				12,677	38,574	42,012	39,932	54,288
Aircel - Mumbai						61,292	79,335	54,392
Aircel - UP E					2,371	38,990	35,812	48,978
Aircel - UP W					218	31,479	46,661	54,521
Aircel - Maharashtra								356

Source: COAI, I-Sec Research; HP: Himachal Pradesh; J&K: Jammu & Kashmir; MP: Madhya Pradesh; AP: Andhra Pradesh; UP E: Uttar Pradesh East; UP W: Uttar Pradesh West

Table 2: Net add shares in recent circle launches

(%)

Net adds share	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Idea - Mumbai	24.0	29.6	59.2	28.4	20.3	25.8	11.3	30.9
Idea - Bihar	12.4	18.4	34.3	8.6	26.6	16.9	23.5	27.5
Idea - Orissa						9.4	17.9	14.6
Idea - TN							0.8	6.9
Vodafone - Assam	12.1	59.9	29.3	17.0	18.6	10.6	22.7	36.9
Vodafone - Bihar	8.3	15.4	20.0	30.3	17.7	33.7	23.9	18.6
Vodafone - HP	-	11.6	12.2	19.4	12.3	16.3	10.5	7.9
Vodafone - J&K	-	-	-	-	0.8	28.7	19.1	30.6
Vodafone - MP	8.9	11.7	17.4	17.7	19.5	18.3	20.2	17.2
Vodafone - North East	13.5	17.1	26.1	26.3	29.8	24.0	22.5	25.7
Vodafone - Orissa	19.8	19.4	25.3	21.1	20.6	26.9	24.9	15.5
Aircel - AP	-	-	-	-	5.5	6.7	9.5	4.6
Aircel - Delhi	-	-	-	-	10.0	46.9	42.3	32.2
Aircel - Karnataka	-	-	-	0.4	10.0	10.5	10.6	9.1
Aircel - Kerala	-	-	-	3.3	7.7	9.5	10.0	10.2
Aircel - Mumbai	-	-	-	-	-	21.3	29.6	20.1
Aircel - UP E	-	-	-	-	0.3	5.1	4.1	6.9
Aircel - UP W	-	-	-	-	0.0	8.1	14.4	14.4
Aircel - Maharashtra								0.1

Source: COAI, I-Sec Research

Aircel gained 32.2% net add share in Delhi and 20.1% in Mumbai; Idea gained 30.9% share in Mumbai

Table 3: GSM subscriber base

(mn)

GSM subscriber
base (ex-RCom)
crossed 300mn

GSM subs	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Aircel	14.7	15.4	16.1	16.8	17.5	18.5	19.6	20.7	21.8
Bharti Airtel	80.2	82.9	85.7	88.4	91.1	93.9	96.7	99.5	102.4
BPL Mobile	1.8	1.9	1.9	2.0	2.1	2.2	2.2	2.3	2.3
BSNL GSM	39.8	40.5	41.4	42.7	44.2	46.7	47.7	48.2	49.1
Idea	35.2	36.5	38.0	40.0	41.5	43.0	44.2	45.5	47.1
MTNL GSM	3.7	3.8	3.9	4.0	4.1	4.2	4.2	4.3	4.3
RCom GSM*	9.6	10.0	10.4	10.7	11.1	11.6	12.0	12.4	12.4
Vodafone Essar	56.7	58.8	60.9	63.3	65.9	68.8	71.5	74.1	76.4
Total GSM subs	241.7	249.7	258.2	267.9	277.5	288.8	298.2	306.9	315.8
Total ex-RCom	232.1	239.8	247.9	257.2	266.4	277.2	286.2	294.5	303.4

Source: COAI, I-Sec Research, * RCom GSM only eight legacy circles, RCom GSM June '09 subscriber figures not yet available

Table 4: GSM net adds

(mn)

BAL continues to
lead in net adds;
Aircel has added
>1mn subscribers in
each of the past four
months

GSM net adds	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Aircel	0.8	0.7	0.7	0.7	0.7	1.0	1.1	1.1	1.1
Bharti Airtel	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8
BPL Mobile	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0
BSNL GSM	0.6	0.7	0.9	1.3	1.5	2.5	1.0	0.5	0.9
Idea	1.2	1.3	1.5	2.0	1.5	1.5	1.2	1.3	1.6
MTNL GSM	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
RCom GSM*	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-
Vodafone Essar	2.1	2.1	2.2	2.4	2.6	2.8	2.8	2.5	2.4
Total GSM adds	8.1	8.0	8.5	9.7	9.6	11.3	9.4	8.7	8.9
Total ex-RCom	7.7	7.6	8.1	9.3	9.2	10.8	9.0	8.3	8.9

Source: COAI, I-Sec Research, * RCom GSM only eight legacy circles, RCom GSM June '09 subscriber figures not yet available

Table 5: GSM subs share

(%)

GSM subs	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Aircel	6.1	6.2	6.2	6.3	6.3	6.4	6.6	6.7	6.9
Bharti Airtel	33.2	33.2	33.2	33.0	32.8	32.5	32.4	32.4	32.4
BPL Mobile	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
BSNL GSM	16.5	16.2	16.0	15.9	15.9	16.2	16.0	15.7	15.5
Idea	14.6	14.6	14.7	14.9	15.0	14.9	14.8	14.8	14.9
MTNL GSM	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
RCom GSM*	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.9
Vodafone Essar	23.5	23.5	23.6	23.6	23.8	23.8	24.0	24.1	24.2
Total GSM subs	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: COAI, I-Sec Research, * RCom GSM only eight legacy circles, RCom GSM June '09 subscriber figures not yet available

Table 6: GSM net adds share (ex-RCom)

(%)

GSM subs	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Aircel	10.2	9.4	8.6	7.4	7.8	9.2	12.3	13.3	12.5
Bharti Airtel	35.4	35.7	33.6	29.4	29.7	25.9	31.4	33.9	31.7
BPL Mobile	1.9	1.0	0.8	0.6	0.7	0.8	0.5	0.6	0.5
BSNL GSM	8.4	8.9	10.8	14.1	16.4	23.1	11.6	5.5	10.1
Idea	16.2	17.0	18.5	21.5	16.4	13.9	12.8	15.7	18.1
MTNL GSM	0.9	1.0	1.0	1.1	0.9	0.8	0.5	0.5	0.4
Vodafone Essar	27.1	27.0	26.7	25.9	28.1	26.3	30.9	30.6	26.6
Total ex-RCom	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: COAI, I-Sec Research, * RCom GSM only eight legacy circles, RCom GSM June '09 subscriber figures not yet available

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)

BUY: +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

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