



INDIA

# India telecoms 3Q preview

20 January 2009

<b>BHARTI IN</b>		<b>Outperform</b>
Stock price as of 19 Jan 09	Rs	646.95
12-month target	Rs	975.00
Upside/downside	%	+50.7
30-day avg turnover	US\$m	78.1
Market cap	US\$m	25,245

<b>BHARTI investment fundamentals</b>					
Year end 31 Mar		2008A	2009E	2010E	2011E
EBITDA	bn	113.7	153.3	190.0	221.6
Adjusted profit	bn	67.0	81.2	111.2	125.5

<b>RCOM IN</b>		<b>Outperform</b>
Stock price as of 19 Jan 09	Rs	184.95
12-month target	Rs	350.00
Upside/downside	%	+89.2
30-day avg turnover	US\$m	69.0
Market cap	US\$m	7,848

<b>RCOM investment fundamentals</b>					
Year end 31 Mar		2008A	2009E	2010E	2011E
EBITDA	bn	82.0	95.5	119.7	143.7
Adjusted profit	bn	53.6	61.4	71.1	84.0

<b>IDEA IN</b>		<b>Underperform</b>
Stock price as of 19 Jan 09	Rs	44.10
12-month target	Rs	45.00
Upside/downside	%	+2.0
30-day avg turnover	US\$m	6.5
Market cap	US\$m	2,810

<b>IDEA investment fundamentals</b>					
Year end 31 Mar		2008A	2009E	2010E	2011E
EBITDA	bn	22.5	26.6	32.1	38.8
Adjusted profit	bn	10.4	8.8	10.3	10.8

<b>MTNL IN</b>		<b>Underperform</b>
Stock price as of 19 Jan 09	Rs	73.55
12-month target	Rs	51.00
Upside/downside	%	-30.7
30-day avg turnover	US\$m	1.5
Market cap	US\$m	953

<b>MTNL investment fundamentals</b>					
Year end 31 Mar		2008A	2009E	2010E	2011E
EBITDA	m	7,217	3,917	3,860	3,895
Adjusted profit	m	3,856	1,169	574	-2,795

<b>ONMB IN</b>		<b>Outperform</b>
Stock price as of 19 Jan 09	Rs	247.70
12-month target	Rs	650.00
Upside/downside	%	+162.4
30-day avg turnover	US\$m	0.3
Market cap	US\$m	294

<b>ONMB investment fundamentals</b>					
Year end 31 Mar		2008A	2009E	2010E	2011E
EBITDA	m	1,048.3	1,567.7	2,533.6	3,543.0
Adjusted profit	m	609.2	929.7	1,384.5	1,790.4

Source: (all): FactSet, Macquarie Research, January 2009  
(all figures in Rmb unless noted)

**Analysts**

**Shubham Majumder**  
9122 66533049 shubham.majumder@macquarie.com  
**Nitin Mohta**  
9122 66533050 nitin.mohta@macquarie.com  
**Tim Smart**  
852 2823 3565 tim.smart@macquarie.com

## Mixed 3Q:+ve surprise Bharti,-ve Idea

### Event

- Indian telecom operators will declare 3QFY3/09E results over the next ten days. We present our 3Q FY3/09E forecasts for the key players under our coverage. We expect investor focus on the quarterly earnings call to be on RCOM's GSM launch in January and its fallout on the Indian wireless sector.

### Impact

- Bharti likely to outperform peers in 3Q FY3/09E.** Among Indian operators, we expect Bharti to post the highest sequential growth of 6.6% for the top line. More importantly, Bharti's 6.2% QoQ growth in EBITDA will be higher than our expectation of 4.3% for RCOM and 2.5% for Idea. For Bharti, we estimate an ARPU decline of 12.2% YoY and 5.1% QoQ and margin dip of 10bp.
- RCOM results to be announced on 23 January, ahead of the usual last date of the month:** We estimate an ARPU decline of 22.8% YoY and 3.4% QoQ and EBITDA margin of 40.1%.
- MTNL EBITDA expected to fall 47% YoY.** Muted revenue growth (down 7% YoY, flat QoQ) and higher salary and admin costs will result in a ~660bp YoY margin decline. Even so, we expect margins to rebound from abysmally low 4.8% in 2Q FY3/09E led by a moderate improvement in administrative costs.
- For IDEA Cellular, first inclusion of Spice Communications financials in December 2008 poses downside risks to our 3Q FY3/09E PAT forecast.** Idea will consolidate 41% owned Spice (SPCM IN, Rs30, Not rated) financials as per JV accounting from 3Q FY3/09E, effective 16 October 2008. Spice reported 2Q revenues of Rs3.1bn, EBITDA of Rs394m and a net loss of Rs813m. We also note Spice lowered its reported subscriber base in July and August 2008. Downside to Spice financials could come from a restatement of accounts expected in the December results relative to the September result.
- RCOM GSM launched in January; expect no impact on 3Q result.** RCOM launched its much-awaited GSM operations in January 2009 for prepaid only. The inaugural prepaid sample offer aims targets prospective subscribers with an offer of Rs300 free credit in Mumbai and Rs150 in Karnataka per month for a Rs25 connection fee for the SIM.

### Outlook

- Bharti is one of our top 3 global telco picks in 2009 and we believe will remain a key beneficiary of strong bias in profits and value in the sector towards the top 3 players. We continue to recommend investors accumulate Bharti for its high operational and earnings visibility. Having said that, in the near term there could be a risk of dislocation in subscriber net adds, MoUs, ARPU, revenues, EBITDA and EPS only for the Jan-March 2009 quarter, until the end of RCOM's 90 day free calls offer.
- Reiterate Underperform on Idea and MTNL. We maintain a negative view on Idea Cellular and MTNL, which both have a bleak earnings outlook. For Idea, we expect margin dilution due to a steady stream of new circle launches and inclusion of Spice financials (yet to be factored into our official forecasts for Idea Cellular).

Please refer to the important disclosures and analyst certification on inside back cover of this document, or on our website [www.macquarie.com.au/research/disclosures](http://www.macquarie.com.au/research/disclosures).

Fig 1 Indian telecom stocks – 3Q FY3/09 results preview: Macquarie versus consensus

Rs m	Revenue	EBITDA	PAT
<b>Bharti</b>			
<b>Macquarie Estimate</b>	<b>96,182</b>	<b>39,292</b>	<b>20,604</b>
YoY growth (%)	38.1%	32.6%	19.7%
QoQ growth (%)	6.6%	6.2%	0.7%
Consensus	96,596	38,962	21,325
<i>Macquarie above/(below) Consensus</i>	<i>-0.4%</i>	<i>0.8%</i>	<i>-3.4%</i>
<b>RCOM</b>			
<b>Macquarie Estimate</b>	<b>59,922</b>	<b>24,013</b>	<b>14,572</b>
YoY growth (%)	22.9%	14.0%	5.0%
QoQ growth (%)	6.1%	4.3%	-4.8%
Consensus	59,642	24,120	13,872
<i>Macquarie above/(below) Consensus</i>	<i>0.5%</i>	<i>-0.4%</i>	<i>5.0%</i>
<b>Idea</b>			
<b>Macquarie Estimate</b>	<b>23,664</b>	<b>6,171</b>	<b>1,830</b>
YoY growth (%)	38.5%	8.8%	-22.7%
QoQ growth (%)	2.9%	2.5%	18.1%
Consensus	25,863	6,930	1,998
<i>Macquarie above/(below) Consensus</i>	<i>-8.5%</i>	<i>-10.9%</i>	<i>-8.4%</i>
<b>MTNL</b>			
<b>Macquarie Estimate</b>	<b>11,019</b>	<b>963</b>	<b>398</b>
YoY growth (%)	-7%	-47%	-30%
QoQ growth (%)	0%	81%	100%
Consensus	12,499	2,646	854
<i>Macquarie above/(below) Consensus</i>	<i>-11.8%</i>	<i>-63.6%</i>	<i>-53.4%</i>
<b>OnMobile</b>			
<b>Macquarie Estimate</b>	<b>1,112</b>	<b>373</b>	<b>232</b>
YoY growth (%)	38%	-5%	-10%
QoQ growth (%)	14%	36%	27%
Consensus	1,103	380	229
<i>Macquarie above/(below) Consensus</i>	<i>0.9%</i>	<i>-2.0%</i>	<i>1.7%</i>

Source: Bloomberg, Macquarie Research, January 2009

## Bharti Airtel

### Financial metrics for 3Q FY3/09E

- **Revenue:** We expect Bharti to post 3Q FY3/09 revenues of Rs96.2bn, implying 38.1% YoY growth and 6.6% sequential QoQ growth. At a segment level, we forecast robust mobile revenue of Rs76.8bn, 37% higher YoY and 5.5% QoQ.
- **Opex:** We expect Bharti's total operating expenditures to rise to Rs56.9bn in 3Q from Rs53.2bn in 2Q FY3/09, sequential growth of 6.9%. We forecast 7.4% QoQ growth in employee costs and a 6.9% sequential increase in network operations costs in the wake of elevated network opex reported last quarter.
- **Margins:** As a result of a slightly higher jump in opex, we expect a 10bp EBITDA margin decline for Bharti in 3Q FY3/09E to 40.9%.
- **EPS:** Our 3Q FY3/09E forecast EPS is Rs10.86. Our net profit forecast is 3% below consensus due to our conservative interest expense assumption of Rs9.2bn in 3Q FY3/09E.

### Operational metrics for 3Q FY3/09E

- **Subscriber addition:** We expect Bharti to continue its industry leading subscriber additions during the quarter. We note that Bharti has already added 2.72m subscribers for the months of October and November. To meet our subscriber forecast of 85.6m Bharti would need to add only 2.72m subscribers in December.
- **ARPU/MOU:** We have built in ARPU decline of 12.2% YoY and 5.1% QoQ to Rs314 in 3Q FY3/09E and modest QoQ growth in MoUs to 530 from 526 in the quarter ago.

## RCOM

### Financial metrics for 3Q FY3/09E

- **Revenue:** We expect RCOM's 3Q FY3/09 revenue to be Rs59.9bn, implying growth of 6.1% QoQ and 22.9% YoY. At the segment level, we expect wireless services revenue to grow by 6.3% QoQ and 16.5% YoY. We forecast global services segment revenues to be Rs17.8bn, 5% QoQ growth.
- **Opex:** Total operating expenditure for RCOM is expected to rise to Rs35.9n from Rs33.4bn in 2Q FY3/09, 7.4% sequential growth. We have built into our model 11% QoQ growth in access and license fees and 5.1% QoQ growth in network operations costs for this quarter.
- **Margins:** We expect a ~70bp margin contraction for RCOM, primarily on account of higher access and interconnect fees than 2Q. Our 3Q EBITDA margin forecast is 40.1% versus 2Q FY3/09 EBITDA margin of 40.8%.
- **EPS:** Our 3Q FY3/09 diluted EPS estimate for RCOM is Rs6.68. Our net profit forecast is 5% above consensus estimate. We note that lower than expected treasury income has helped RCOM to deliver higher than expected EPS in last quarter.

### Operational metrics for 3Q FY3/09E

- **Subscriber additions:** We have built in 5.3m subscriber additions for RCOM in this quarter. RCOM added 1.77m subscribers in November and 1.76m in October. We note that our FY3/09E subscriber forecast for RCOM is back-end loaded, with the launch of new GSM operations in 4Q FY3/09 expected to add 1.9m subscribers.
- **ARPU/MOU:** We have modelled in ARPU decline (Rs262) of 22.8% YoY and 3.4% QoQ for RCOM in 3Q FY3/09. We expect MoUs for RCOM to decline to by in this quarter to 417, implying ARPM of Rs0.63.

## Idea

### Financial metrics for 3Q FY3/09E

- **Revenue:** Our 3Q FY3/09E revenue estimate for Idea is Rs23.6bn, up 2.9% QoQ and 38.5% YoY.
- **Opex:** We forecast Idea's operating expenditure at Rs17.5bn, 3.1% higher than the previous quarter. We note that Idea launched its Bihar operations in this quarter and this is first full quarter of Mumbai operations. We estimate EBITDA loss of Rs1bn for the Mumbai and Bihar circles, compared to EBITDA loss of Rs337m for launch of Mumbai circle in August last quarter.
- **Margins:** We expect Idea to report 26.1% EBITDA margins for the quarter, 10bp decline from the last quarter. We expect three acquired circles to turn EBITDA positive in this quarter but higher network opex and launch costs associated with Mumbai and Bihar circle will hurt margins.
- **EPS:** Our 3Q FY3/09E EPS of Rs0.59. Our net profit forecast is 8.4% below consensus estimate.

### Operational metrics for 3Q FY3/09E

- **Subscriber additions:** We note that Idea has already added 2.43m subscribers in the months of October and November. Our forecast of 3.68m net subscriber additions in 3Q FY3/09E implies 1.25m subscriber additions for Idea in December. We believe Idea would be able to deliver positive surprise on subscriber additions by adding lower ARPU customers – neutralising the impact on wireless revenues.
- **ARPU/MOU:** We have built in an ARPU (Rs245) decline of 12.3% YoY and 6% QoQ in 3Q FY3/09E and modest 2% QoQ growth in MoUs to 425 from 417 in the previous quarter.

## MTNL

### Financial metrics for 3Q FY3/09E

- **Revenue:** We expect revenues to remain flat sequentially and decline by 7.4% YoY as growth in the broadband and VAS segments will not be enough to offset the drag due to deteriorating wireline business and ARPU decline in wireless. We expect MTNL's wireless revenues to decline to Rs2.2bn, up 1.4% QoQ and 7.7% YoY.
- **Opex:** We expect administrative costs for MTNL to fall in 3Q to Rs2.4bn from Rs2.6bn in 2Q FY3/09. Our staff cost assumption of Rs4.5bn (41% of revenues) is down 4.3% QoQ, but there is upside risk to our forecast. We note that higher staff costs were the key reason for negative surprise on margins in the last quarter.

- **Margins:** We expect MTNL to expand margins by 390bp sequentially to 8.7% from 4.8%. Our assumption for margin expansion is based on better cost control in 3Q FY3/09E.
- **EPS:** We expect MTNL to report EPS of Rs0.63 for the quarter ending 31 December 2008. Even so, we note that there could be downside risks to our estimates due to higher costs and lower interest than anticipated treasury income. We are assuming Rs1.5bn interest income in 3Q FY3/09E.

#### Operational metrics for 3Q FY3/09E

- **Subscriber additions:** We have built in 0.24m subscriber net additions during the quarter, evenly split between Mumbai and Delhi circle. This implies flat QoQ net subscriber addition in 3Q.
- **ARPU:** We are building ARPU decline of 18.8% YoY and 5% QoQ for MTNL in October–December 2008 quarter. As a result of moderate ARPU decline and muted subscriber growth, we forecast tepid 1.4% QoQ growth in wireless revenues.

#### OnMobile

- **Revenues:** Our 3Q FY3/09 revenue forecast is Rs1.1bn, 14% sequential growth driven by 15% QoQ growth in domestic revenues and 16% QoQ growth in international revenues.
- **Opex:** We expect total operating expenditures for OnMobile to rise to Rs739.5m in 3Q FY3/09 from Rs700.9m in the 2Q. After registering a steep 26% QoQ increase in staff costs for 2Q FY3/09 due to Telisma and Vox Mobili acquisition we have assumed 1.3% QoQ rise in staff costs this quarter.
- **Margins:** We expect sequential improvements in margins to continue and forecast EBITDA margins of 33.5% due to slightly lower Cost of sales and services in 3Q FY3/09E.
- **EPS:** Our 3Q FY3/09E EPS forecast for OnMobile is Rs3.9. Our net profit forecast of Rs232m is 1.7% above consensus.

Fig 2 Bharti Airtel: 3Q FY3/09 result estimates

Year to Mar (Rs m)	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E	(% chg YoY)	(% chg QoQ)
<b>Segmental Breakdown of Revenues:</b>								
Mobile revenues	50,579	56,105	64,201	69,150	72,843	76,852	37.0	5.5
Broadband & Telephone Service revenues	7,023	7,307	7,641	7,988	8,486	8,972	22.8	5.7
Long Distance Service revenues	10,048	11,346	12,566	15,694	17,002	18,362	61.8	8.0
Enterprise Service revenues	3,423	3,290	3,774	3,878	4,872	5,262	59.9	8.0
Passive Infrastructure services			6,023	10,563	11,983	13,183	na	10.0
Others	(7,699)	(8,409)	(16,014)	(22,440)	(24,983)	(26,450)	214.5	5.9
<b>Total Revenues</b>	<b>63,374</b>	<b>69,639</b>	<b>78,191</b>	<b>84,833</b>	<b>90,203</b>	<b>96,182</b>	<b>38.1</b>	<b>6.6</b>
<b>Operating Expenses</b>								
Cost of services	26,862	30,054	33,628	37,249	40,598	43,046	43.2	6.0
(% of total revenues)	42.4%	43.2%	43.0%	43.9%	45.0%	44.8%		
- Access charge	9,317	10,424	12,298	12,426	12,902	13,437	28.9	4.1
(% of total revenues)	14.7%	15.0%	15.7%	14.6%	14.3%	14.0%		
- License fees & spectrum charges	6,281	6,991	7,801	8,532	9,096	9,699	38.7	6.6
(% of total revenues)	9.9%	10.0%	10.0%	10.1%	10.1%	10.1%		
- Network operations costs	7,520	8,851	9,807	12,324	14,392	15,389	73.9	6.9
(% of total revenues)	11.9%	12.7%	12.5%	14.5%	16.0%	16.0%		
- Employee costs	3,745	3,789	3,722	3,967	4,209	4,521	19.3	7.4
(% of total revenues)	5.9%	5.4%	4.8%	4.7%	4.7%	4.7%		
Costs of equipment sales	206	183	89	185	865	962	(51.4)	11.2
(% of total revenues)	0.3%	0.3%	0.1%	0.2%	1.0%	1.0%		
Selling, general & administrative expenses	9,208	9,767	11,956	12,178	11,746	12,882	31.9	9.7
(% of total revenues)	14.5%	14.0%	15.3%	14.4%	13.0%	13.4%		
<b>Total Operating Expense</b>	<b>36,276</b>	<b>40,004</b>	<b>45,673</b>	<b>49,612</b>	<b>53,210</b>	<b>56,890</b>	<b>42.2</b>	<b>6.9</b>
(% of total revenues)	57.2%	57.4%	58.4%	58.5%	59.0%	59.1%		
<b>EBITDA</b>	<b>27,098</b>	<b>29,635</b>	<b>32,518</b>	<b>35,221</b>	<b>36,993</b>	<b>39,292</b>	<b>32.6</b>	<b>6.2</b>
<b>EBITDA Margin</b>	<b>42.8%</b>	<b>42.6%</b>	<b>41.6%</b>	<b>41.5%</b>	<b>41.0%</b>	<b>40.9%</b>		
Interest expense	1,267	989	(1,527)	5,216	9,181	9,181	828.3	-
Interest income	141	179	(3,684)	3,384	3,440	3,500	nm	nm
Depreciation	(9,062)	(10,377)	(9,702)	(10,045)	(11,549)	(12,500)	20.5	8.2
Share of profits in associates / joint ventures	3	(1)	(2)	(113)	(93)	(93)	nm	nm
Other income	605	643	683	584	274	288	nm	nm
Non operating expenses	(46)	(57)	(208)	(1)	(160)	(160)	nm	nm
<b>Profit Before Taxes (PBT)</b>	<b>17,472</b>	<b>19,033</b>	<b>21,132</b>	<b>23,814</b>	<b>19,724</b>	<b>21,146</b>	<b>11.1</b>	<b>7.2</b>
Income tax (expense) / benefit	(1,136)	(1,564)	(2,085)	(3,282)	1,247	-	(100.0)	(100.0)
Effective Tax Rate (%)	7%	8%	10%	14%	-6%	0%		
(Profit) / loss to minority shareholders	(197)	(244)	(518)	(282)	(508)	(541)	121.9	6.7
<b>Profit After Taxes (PAT)</b>	<b>16,139</b>	<b>17,225</b>	<b>18,529</b>	<b>20,250</b>	<b>20,463</b>	<b>20,604</b>	<b>19.6</b>	<b>0.7</b>
(% total revenues)	25.5%	24.7%	23.7%	23.9%	22.7%	21.4%		
<b>EPS Diluted</b>	<b>8.50</b>	<b>9.08</b>	<b>9.76</b>	<b>10.67</b>	<b>10.79</b>	<b>10.86</b>	<b>19.7</b>	<b>0.7</b>
<b>Segmental Breakdown of EBITDA (Rsm)</b>								
Mobile	20,728	22,887	22,779	21,218	22,009	22,957	0.3	4.3
Broadband & Telephone Service	2,790	3,173	3,344	3,367	3,696	3,945	24.3	6.7
Long Distance Service	3,462	3,652	4,027	6,884	7,351	7,161	96.1	(2.6)
Enterprise Service	1,435	1,377	2,152	1,771	2,018	2,315	68.1	14.7
Passive Infrastructure services			2,236	3,870	3,991	5,113	na	28.1
Others	(1,317)	(1,454)	(2,020)	(1,889)	(2,072)	(2,200)	51.3	6.2
<b>Segment-wise EBITDA Margin (%)</b>								
					1.40			
Mobile	41.0%	40.8%	35.5%	30.7%	30.2%	29.9%	-10.9%	-0.3%
Broadband & Telephone Service	39.7%	43.4%	43.8%	42.2%	43.6%	44.0%	0.5%	0.4%
Long Distance Service	34.5%	32.2%	32.0%	43.9%	43.2%	39.0%	6.8%	-4.2%
Enterprise Service	41.9%	41.9%	57.0%	45.7%	41.4%	44.0%	2.1%	2.6%
Passive Infrastructure services			37.1%	36.6%	33.3%	38.8%	na	5.5%
<b>Capex</b>								
<b>Capex</b>	<b>39,795</b>	<b>33,294</b>	<b>28,206</b>	<b>40,576</b>	<b>31,867</b>	<b>52,431</b>	<b>57.5</b>	<b>64.5</b>
Mobility (Active+Passive)	28,661	27,538	17,995	32,227	23,396	36,453	32.4	55.8
Active electronics capex			(88,219)	16,900	15,834	14,711	na	(7.1)
Passive infrastructure capex			106,214	15,327	7,562	21,742	na	187.5
Broadband & Telephone Service	1,738	2,157	4,185	2,301	2,815	3,400	57.6	20.8
Long Distance Service	8,924	3,012	5,059	5,239	3,992	9,181	204.8	130.0
Enterprise Services	313	91	411	253	279	3,197	3,412.7	1,045.7
Others	159	496	556	556	1,385	200	(59.7)	(85.6)
<b>Subscriber Base (m)</b>								
Wireless	48.9	55.2	62.0	69.4	77.5	85.6	55.2	10.5
Wireline	2.1	2.2	2.23	2.39	2.51	2.68	23.0	6.8
<b>Per subscriber metrics</b>								
Wireless ARPU	365.9	357.6	357.0	349.5	331.0	314.1	(12.2)	(5.1)
Fixedline and broadband ARPU	1,150.0	1,140.0	1,137.0	1,138.3	1,147.0	1,152.7	1.1	0.5
Average Minutes of Usage Per User (MoU)	468.6	473.7	507.0	534.4	526.0	530.1	11.9	0.8
Average Revenue Per Minute (ARPM)	0.78	0.76	0.70	0.65	0.63	0.59	(21.5)	(5.8)
Average EBITDA per minute	0.32	0.31	0.26	0.20	0.19	0.18	(42.8)	(6.8)

Source: Company data, Macquarie Research, January 2009

Fig 3 Reliance Communications: 3Q FY3/09 result estimates

Amount in Rs. Million, except ratios	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E	(% chg YoY)	(% chg QoQ)
<b>Revenues</b>								
Wireless	37,230	39,567	41,608	41,187	43,356	46,101	16.5%	6.3%
Global Service revenues	13,161	13,299	15,257	15,260	16,915	17,761	33.5%	5.0%
Broadband & Telephone Service revenues	4,371	4,564	5,100	5,603	6,023	6,416	40.6%	6.5%
Others	1,087	1,544	683	1,437	2,289	2,289	48.3%	0.0%
Inter-segment eliminations	(10,064)	(10,232)	(9,534)	(10,265)	(12,190)	(12,820)	25.3%	5.2%
<b>Total Revenues</b>	<b>45,785</b>	<b>48,742</b>	<b>53,114</b>	<b>53,222</b>	<b>56,450</b>	<b>59,922</b>	<b>22.9%</b>	<b>6.1%</b>
<b>Operating Expenses</b>								
Cost of service (a+b+c)	18,464	19,721	19,954	20,804	23,179	24,838	25.9%	7.2%
(% of total revenues)	40.3%	40.5%	37.6%	39.1%	41.1%	41.5%		
Access & License Fees (a)	9,746	11,188	9,962	9,159	8,324	9,240	-17.4%	11.0%
(% of total revenues)	21.3%	23.0%	18.8%	17.2%	14.7%	15.4%		
Network Operations Costs - (b)	5,662	5,446	6,562	8,128	10,266	10,786	98.1%	5.1%
(% of total revenues)	12.4%	11.2%	12.4%	15.3%	18.2%	18.0%		
Employee Cost - (c)	3,056	3,087	3,430	3,517	4,589	4,811	55.9%	4.8%
(% of total revenues)	6.7%	6.3%	6.5%	6.6%	8.1%	8.0%		
Selling & General Cost	7,703	7,956	9,996	9,916	10,255	11,071	39.2%	8.0%
(% of total revenues)	16.8%	16.3%	18.8%	18.6%	18.2%	18.5%		
<b>Total Operating Expense</b>	<b>26,167</b>	<b>27,677</b>	<b>29,950</b>	<b>30,720</b>	<b>33,434</b>	<b>35,909</b>	<b>29.7%</b>	<b>7.4%</b>
(% of total revenues)	57.2%	56.8%	56.4%	57.7%	59.2%	59.9%		
<b>EBITDA</b>								
<b>EBITDA</b>	<b>19,618</b>	<b>21,065</b>	<b>23,164</b>	<b>22,502</b>	<b>23,016</b>	<b>24,013</b>	<b>14.0%</b>	<b>4.3%</b>
<b>EBITDA Margin</b>	<b>42.8%</b>	<b>43.2%</b>	<b>43.6%</b>	<b>42.3%</b>	<b>40.8%</b>	<b>40.1%</b>	<b>-3.1%</b>	<b>-0.7%</b>
Net Interest	1,125	1,518	81	2,340	2,353	1,863	22.7%	-20.8%
Depreciation	(6,754)	(7,252)	(7,856)	(8,638)	(9,827)	(10,682)	47.3%	8.7%
(% of total revenues)	14.8%	14.9%	14.8%	16.2%	17.4%	17.8%		
<b>Profit Before Taxes (PBT)</b>	<b>13,989</b>	<b>15,331</b>	<b>15,389</b>	<b>16,204</b>	<b>15,542</b>	<b>15,194</b>	<b>-0.9%</b>	<b>-2.2%</b>
(% of total revenues)	30.6%	31.5%	29.0%	30.4%	27.5%	25.4%	-6.1%	-2.2%
Income tax expense / (benefit)	698	1,379	(272)	(194)	(567)	(228)	-116.5%	-59.8%
Effective Tax Rate (%)	5.0%	9.0%	-1.8%	-1.2%	-3.6%	-1.5%		
<b>Profit After Taxes (PAT)</b>	<b>13,291</b>	<b>13,952</b>	<b>15,661</b>	<b>16,398</b>	<b>16,108</b>	<b>15,422</b>	<b>10.5%</b>	<b>-4.3%</b>
Extraordinary items	12,203	-	611	-	-	-		
Share of Minority and Associates	12,448	223	1,240	635	800	850		
<b>Rptd. Net Profit</b>	<b>13,046</b>	<b>13,729</b>	<b>15,032</b>	<b>15,763</b>	<b>15,308</b>	<b>14,572</b>		
<b>Adjusted Net Profit (excl. exceptional)</b>	<b>13,046</b>	<b>13,729</b>	<b>14,421</b>	<b>15,763</b>	<b>15,308</b>	<b>14,572</b>	<b>6.1%</b>	<b>-4.8%</b>
<b>PAT Margin</b>	<b>28.5%</b>	<b>28.2%</b>	<b>27.2%</b>	<b>29.6%</b>	<b>27.1%</b>	<b>24.3%</b>	<b>-3.8%</b>	<b>-2.8%</b>
<b>Diluted EPS (Adjusted)</b>	<b>6.05</b>	<b>6.36</b>	<b>6.68</b>	<b>7.31</b>	<b>7.02</b>	<b>6.68</b>	<b>5.0%</b>	<b>-4.8%</b>
<b>Segmental breakdown of EBITDA</b>								
Wireless	14,873	15,819	16,763	16,623	16,859	17,840	12.8%	5.8%
Global (Long distance)	3,276	3,428	4,089	3,222	3,608	3,741	9.1%	3.7%
Broadband & Fixed	2,102	2,222	2,492	2,714	2,941	3,142	41.4%	6.8%
Others	(566)	(258)	(115)	-	(198)	(460)	78.4%	na
Intersegment eliminations	(67)	(146)	(65)	(57)	(194)	(225)	54.3%	16.1%
Net Others (Others + intersegment)	(633)	(404)	(180)	(57)	(392)	(686)	69.7%	74.9%
<b>Total</b>	<b>19,618</b>	<b>21,065</b>	<b>23,164</b>	<b>22,502</b>	<b>23,016</b>	<b>24,038</b>	<b>14.1%</b>	<b>4.4%</b>
<b>Segment-wise EBITDA margin (%)</b>								
Wireless	39.9%	40.0%	40.3%	40.4%	38.9%	38.7%	-1.3%	-0.2%
Global (Long distance)	24.9%	25.8%	26.8%	21.1%	21.3%	21.1%	-4.7%	-0.3%
Broadband & Fixed	48.1%	48.7%	48.9%	48.4%	48.8%	49.0%	0.3%	0.2%
Others	-52.1%	-16.7%	-16.8%	0.0%	-8.6%	-20.1%	-3.4%	-11.5%
<b>Capex</b>								
Wireless	53,179	88,181	52,756	69,686	47,731	69,746	-20.9%	46.1%
Wireless	49,685	60,605	46,442	56,926	33,260	39,542	-34.8%	18.9%
Global	895	22,395	1,682	9,643	10,624	6,461	-71.1%	-39.2%
Broadband & Fixed	2,596	5,034	4,605	3,030	3,674	4,812	-4.4%	31.0%
Others	(33,288)	(59,576)	(10,044)	(28,995)	(10,755)	-	-100.0%	-100.0%
Capital Work in progress	33,291	59,723	10,071	29,082	10,928	18,931	-68.3%	73.2%
<b>Subscriber Base</b>								
Wireless	36.3	41.0	45.8	50.8	56.0	61.3	49.7%	9.4%
Broadband & Fixed	0.8	0.9	1.0	1.1	1.3	1.4	52.2%	8.9%
<b>ARPU</b>								
Wireless	361.0	339.0	317.0	282.0	271.0	261.8	-22.8%	-3.4%
Broadband & Fixed	1,948.0	1,797.0	1,760.0	1,715.0	1,668.0	1,626.3	-9.5%	-2.5%
<b>Average MoU per User (Wireless)</b>	<b>490</b>	<b>449</b>	<b>430</b>	<b>424</b>	<b>423</b>	<b>417</b>	<b>-7.2%</b>	<b>-1.5%</b>
<b>Average Revenue per Minute (Wireless)</b>	<b>0.74</b>	<b>0.76</b>	<b>0.74</b>	<b>0.66</b>	<b>0.64</b>	<b>0.63</b>	<b>-16.8%</b>	<b>-1.9%</b>
<b>Average EBITDA per Minute (Wireless)</b>	<b>0.26</b>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>0.25</b>	<b>0.24</b>	<b>-20.0%</b>	<b>-2.2%</b>

Source: Company data, Macquarie Research, January 2009

Fig 4 Idea Cellular: 3Q FY3/09 result estimates

Particulars	Jun'07	Sep'07	Dec'07	Mar'08	Jun'08	Sep'08A	Dec'08E	(% chg YoY)	(% chg QoQ)
<b>Revenues</b>									
Service Revenue	14,773	15,622	17,081	19,724	21,735	22,992	23,664	38.5	2.9
Sales of Trading Goods	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>14,773</b>	<b>15,622</b>	<b>17,081</b>	<b>19,724</b>	<b>21,735</b>	<b>22,992</b>	<b>23,664</b>	<b>38.5</b>	<b>2.9</b>
<b>Operating Expenses</b>									
Personnel Expenditure	(708)	(877)	(954)	(919)	(958)	(1,323)	(1,422)	49.0	7.5
(% of total revenues)	4.8%	5.6%	5.6%	4.7%	4.4%	5.8%	6.0%		
Network Operating Expenditure	(1,896)	(2,380)	(2,915)	(3,263)	(3,742)	(4,485)	(4,733)	62.4	5.5
(% of total revenues)	12.8%	15.2%	17.1%	16.5%	17.2%	19.5%	20.0%		
License and WPC Charges	(1,599)	(1,551)	(1,736)	(1,965)	(2,446)	(2,571)	(2,622)	51.0	2.0
(% of total revenues)	10.8%	9.9%	10.2%	10.0%	11.3%	11.2%	11.1%		
Roaming & Access Charges	(2,396)	(2,550)	(2,930)	(3,445)	(3,957)	(4,271)	(4,141)	41.3	(3.0)
(% of total revenues)	16.2%	16.3%	17.2%	17.5%	18.2%	17.5%	17.5%		
Subscriber Acquisition & Servicing Expenditure	(1,597)	(1,758)	(1,528)	(1,828)	(1,751)	(2,000)	(2,248)	47.1	12.4
(% of total revenues)	10.8%	11.3%	8.9%	9.3%	8.1%	9.0%	9.5%		
Advertisement and Business Promotion Expenditure	(686)	(756)	(657)	(786)	(753)	(1,279)	(1,006)	53.1	(21.3)
(% of total revenues)	4.6%	4.8%	3.8%	4.0%	3.5%	5.6%	4.3%		
Administration & other Expenses	(764)	(643)	(688)	(913)	(907)	(1,019)	(1,321)	92.1	29.7
(% of total revenues)	5.2%	4.1%	4.0%	4.6%	4.2%	4.4%	5.6%		
<b>Total Operating Expense</b>	<b>(9,645)</b>	<b>(10,515)</b>	<b>(11,409)</b>	<b>(13,118)</b>	<b>(14,516)</b>	<b>(16,968)</b>	<b>(17,493)</b>	<b>53.3</b>	<b>3.1</b>
(% of total revenues)	65.3%	67.3%	66.8%	66.5%	66.8%	73.8%	73.9%		
<b>EBITDA</b>	<b>5,128</b>	<b>5,107</b>	<b>5,672</b>	<b>6,606</b>	<b>7,219</b>	<b>6,024</b>	<b>6,171</b>	<b>8.8</b>	<b>2.5</b>
<b>EBITDA Margin</b>	<b>34.7%</b>	<b>32.7%</b>	<b>33.2%</b>	<b>33.5%</b>	<b>33.2%</b>	<b>26.2%</b>	<b>26.1%</b>	<b>-7.1%</b>	<b>-0.1%</b>
Other Income	4	21	22	129	46	45	45	100.5	0.0
Interest Income	788	421	260	228	317	1,199	1,385	432.8	15.5
Depreciation	(1,559)	(1,681)	(1,947)	(2,217)	(2,318)	(2,597)	(2,953)	51.6	13.7
Amortisation of Intangible Assets	(328)	(326)	(330)	(380)	(431)	(435)	(439)	33.0	1.0
<b>EBIT</b>	<b>3,244</b>	<b>3,121</b>	<b>3,417</b>	<b>4,137</b>	<b>4,516</b>	<b>3,036</b>	<b>2,824</b>	<b>(17.4)</b>	<b>(7.0)</b>
<b>EBIT Margin</b>	<b>22.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>21.0%</b>	<b>20.8%</b>	<b>13.2%</b>	<b>11.9%</b>		
Interest and Financing Charges	(931)	(1,062)	(1,042)	(1,434)	(1,846)	(2,695)	(2,059)	97.6	(23.6)
<b>Profit Before Taxes (PBT)</b>	<b>3,101</b>	<b>2,481</b>	<b>2,635</b>	<b>2,932</b>	<b>2,988</b>	<b>1,540</b>	<b>2,151</b>	<b>(18.4)</b>	<b>39.6</b>
Income tax (expense) / benefit	(16)	(277)	(268)	(165)	(314)	(99)	(321)	19.9	224.3
Exceptionals	-	-	-	-	-	-	-	-	-
<b>Profit After Taxes (PAT) for the year</b>	<b>3,085</b>	<b>2,204</b>	<b>2,368</b>	<b>2,767</b>	<b>2,673</b>	<b>1,441</b>	<b>1,830</b>	<b>(22.7)</b>	<b>27.0</b>
<b>Adjusted Net Profit (pre exceptionals)</b>	<b>3,085</b>	<b>2,204</b>	<b>2,368</b>	<b>2,767</b>	<b>2,673</b>	<b>1,441</b>	<b>1,830</b>	<b>(22.7)</b>	<b>27.0</b>
<b>Diluted EPS</b>	<b>1.17</b>	<b>0.84</b>	<b>0.90</b>	<b>1.05</b>	<b>1.01</b>	<b>0.50</b>	<b>0.59</b>	<b>(34.3)</b>	<b>18.1</b>
<b>Capex (Rsm)</b>	<b>11,062</b>	<b>12,352</b>	<b>11,946</b>	<b>19,161</b>	<b>19,817</b>	<b>11,950</b>	<b>19,817</b>	<b>65.9</b>	<b>65.9</b>
<b>Subscriber Base (m)</b>	<b>16.1</b>	<b>18.7</b>	<b>21.1</b>	<b>24.0</b>	<b>27.2</b>	<b>30.4</b>	<b>34.1</b>	<b>61.8</b>	<b>12.1</b>
<b>ARPU (Rs per month)</b>	<b>320</b>	<b>288</b>	<b>279</b>	<b>287</b>	<b>278</b>	<b>261</b>	<b>245</b>	<b>(12.3)</b>	<b>(6.2)</b>
Average MoU per user	381	360	377	411	428	417	425	12.8	2.0
Average Revenue per Minute (Rs)	0.84	0.80	0.74	0.70	0.65	0.62	0.58	(22.2)	(7.2)
EBITDA per minute	0.30	0.27	0.25	0.24	0.22	0.17	0.15	(40.6)	(10.3)
Total network minutes	17,100	18,831	22,457	27,824	33,087	36,315	41,120	83.1	13.2

Source: Company data, Macquarie Research, January 2009

Fig 5 MTNL: 3Q FY3/09 result estimates

	2Q FY08	3Q FY08	4Q FY08	1Q FY09	2Q FY09	3Q FY09 Est.	(% chg YoY)	(% chg QoQ)
	Sep-08	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08		
<b>Basic and fixed line services</b>	<b>8,329.4</b>	<b>8,330.0</b>	<b>8,011.4</b>	<b>7,583.1</b>	<b>7,245.0</b>	<b>7,148.4</b>	<b>-14.2%</b>	<b>-1.3%</b>
Cellular services	2,294.0	2,080.0	2,198.7	2,132.7	2,208.0	2,239.1	7.7%	1.4%
WLL services	229.0	249.0	210.0	165.0	124.0	116.8	-53.1%	-5.8%
Other Services	1,132.9	1,238.4	1,412.8	1,335.2	1,442.2	1,514.3	22.3%	5.0%
Broadband	759.5	803.5	1,047.3	978.6	1,006.4	1,040.0	29.4%	3.3%
Others	373.3	434.9	365.5	356.6	435.8	474.3	9.1%	8.8%
<b>Total Service Revenues</b>	<b>11985.3</b>	<b>11897.4</b>	<b>11832.8</b>	<b>11216.0</b>	<b>11019.2</b>	<b>11018.7</b>	<b>-7.4%</b>	<b>0.0%</b>
<b>Operating Expenditure</b>								
Staff Cost	4,284.5	4,329.8	3,607.0	4,457.6	4,750.4	4,546.2	5.0%	-4.3%
As a percentage of revenue (%)	36%	36%	30%	40%	43%	41%		
Administrative Expenses	2,315.1	1,981.6	5,312.8	2,103.3	2,611.9	2,424.1	22.3%	-7.2%
As a percentage of revenue (%)	19%	17%	45%	19%	24%	22%		
License Cost	1,073.9	1,145.0	952.1	999.1	1,057.2	991.7	-13.4%	-6.2%
As a percentage of Service revenue (%)	9%	10%	8%	9%	10%	9%		
Revenue Sharing	2,537.1	2,623.4	953.7	1,912.2	2,069.1	2,093.6	-20.2%	1.2%
As a percentage of service revenue (%)	21%	22%	8%	17%	19%	19%		
<b>Total Operating Expenditure</b>	<b>10,210.6</b>	<b>10,079.8</b>	<b>10,825.5</b>	<b>9,472.2</b>	<b>10,488.5</b>	<b>10,055.6</b>	<b>-0.2%</b>	<b>-4.1%</b>
As a percentage of revenue (%)	85.2	84.7	91.5	84.5	95.2	91.3		
<b>EBITDA</b>	<b>1774.6</b>	<b>1817.7</b>	<b>1007.3</b>	<b>1743.8</b>	<b>530.7</b>	<b>963.1</b>	<b>-47.0%</b>	<b>81.5%</b>
EBITDA Margin (%)	14.8	15.3	8.5	15.5	4.8	8.7		
Depreciation and amortisation	1,785.6	1,695.7	1,885.9	1,780.1	1,795.9	1,833.2	8.1%	2.1%
<b>EBIT</b>	<b>(10.9)</b>	<b>121.9</b>	<b>(878.7)</b>	<b>(36.3)</b>	<b>(1,265.2)</b>	<b>(870.1)</b>	<b>-813.6%</b>	<b>-31.2%</b>
EBIT Margin (%)	0%	1%	-7%	0%	-11%	-8%		
Interest & Financial Expenses	3.6	13.5	19.7	8.8	1.1	17.0	25.7%	1459.6%
Other Income	1,467.8	1,371.8	2,400.2	1,566.4	1,549.1	1,500.0	9.3%	-3.2%
<b>Profit before tax</b>	<b>1,453.3</b>	<b>1,480.2</b>	<b>1,501.9</b>	<b>1,521.2</b>	<b>282.9</b>	<b>612.9</b>	<b>-58.6%</b>	<b>116.7%</b>
PBT Margin (%)	12.1	12.4	12.7	13.6	2.6	5.6		
Tax Expense	505.4	503.8	671.8	369.2	392.2	214.5	-57.4%	-45.3%
Effective Tax Rate (%)	34.8	34.0	44.7	24.3	138.7	35.0		
<b>Reported Profit after tax</b>	<b>947.8</b>	<b>976.4</b>	<b>830.0</b>	<b>1,152.0</b>	<b>(109.3)</b>	<b>398.4</b>	<b>-59.2%</b>	<b>-464.4%</b>
<b>Normalised Profit after tax</b>	<b>947.8</b>	<b>572.1</b>	<b>1,282.6</b>	<b>1,152.0</b>	<b>199.1</b>	<b>398.4</b>	<b>-30.4%</b>	<b>100.1%</b>
PAT Margin (%)	7.9	4.8	10.8	10.3	1.8	3.6		
<b>Operating Metrics</b>								
GSM wireless subscribers (m)	2.8	3.0	3.2	3.4	3.7	3.9	32.6%	6.5%
Wireline subscribers (m)	3.7	3.7	3.8	3.7	3.7	3.6	-1.8%	-1.4%
ARPU (Rs)	284.2	242.1	236.5	212.9	206.9	196.5	-18.8%	-5.0%

Source: Company data, Macquarie Research, January 2009



Fig 6 OnMobile: 3Q FY3/09 result estimates

Amount in Rs. Million, except ratios	3QFY08A	4QFY08A	1QFY09A	2QFY09A	3QFY09E		
	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	(% chg YoY)	(% chg QoQ)
<b>Revenues</b>							
<b>Telecom Value Added Services</b>	<b>709.0</b>	<b>670.0</b>	<b>748.3</b>	<b>904.6</b>	<b>1,042.1</b>	<b>47.0%</b>	<b>15.2%</b>
Domestic	496.3	502.5	598.6	745.6	857.4	72.8%	15.0%
International	212.7	167.5	149.7	159.0	184.7	-13.2%	16.1%
<b>Other Services</b>	<b>96.0</b>	<b>18.0</b>	<b>30.2</b>	<b>70.0</b>	<b>70.0</b>	<b>-27.1%</b>	<b>0.0%</b>
<b>Total Revenue</b>	<b>805.0</b>	<b>688.0</b>	<b>778.5</b>	<b>974.6</b>	<b>1,112.1</b>	<b>38.1%</b>	<b>14.1%</b>
<b>Operating Expenses</b>							
Cost of Sales & Services	96.0	130.0	135.9	181.6	194.6	102.7%	7.2%
(% of total revenues)	11.9	18.9	17.5	18.6	17.5		
Content fee & royalty	58.0	62.0	75.9	119.4	122.3	110.9%	2.5%
(% of Total Revenue)	7.2	9.0	9.7	12.3	11.0		
Other sales & services expenditure	38.0	68.0	60.0	62.2	72.3	90.2%	16.2%
Manpower costs	188.0	187.5	244.1	307.3	311.4	65.6%	1.3%
(% of total revenues)	23.4	27.2	31.4	31.5	28.0		
Administration and other expenses	128.0	200.5	189.6	212.0	233.5	82.5%	10.2%
(% of total revenues)	15.9	29.1	24.4	21.8	21.0		
<b>Total Operating Expenses</b>	<b>412.0</b>	<b>518.0</b>	<b>569.6</b>	<b>700.9</b>	<b>739.5</b>	<b>79.5%</b>	<b>5.5%</b>
(% of total revenues)	51.2	75.3	73.2	71.9	66.5		
<b>EBITDA</b>							
<b>EBITDA</b>	<b>393.0</b>	<b>170.0</b>	<b>208.9</b>	<b>273.7</b>	<b>372.6</b>	<b>-5.2%</b>	<b>36.1%</b>
<i>EBITDA Margin</i>	48.8	24.7	26.8	28.1	33.5		
Depreciation	72.0	83.8	91.8	107.9	124.8	73.3%	15.6%
<b>EBIT</b>							
<b>EBIT</b>	<b>321.0</b>	<b>86.2</b>	<b>117.1</b>	<b>165.8</b>	<b>247.8</b>	<b>-22.8%</b>	<b>49.5%</b>
<i>EBIT Margin</i>	39.9	12.5	15.0	17.0	22.3		
Finance charges	9.0	7.0	0.0	0.0	0.0		
Other income	4.0	32.8	84.9	86.6	81.4	1935.5%	-6.0%
<b>Profit Before Taxes (PBT)</b>	<b>316.0</b>	<b>112.0</b>	<b>202.0</b>	<b>252.4</b>	<b>329.2</b>	<b>4.2%</b>	<b>30.4%</b>
<b>Taxation</b>							
<b>Provision for taxation</b>	<b>59.0</b>	<b>65.0</b>	<b>50.3</b>	<b>68.9</b>	<b>96.8</b>	<b>64.0%</b>	<b>40.4%</b>
Current tax	45.0	54.0	50.2	67.0	85.6		
(% of PBT)	14.2	48.2	24.9	26.5	26.0		
Deferred tax	11.0	8.0	(3.7)	(0.8)	4.9		
(% of PBT)	3.5	7.1	-1.8	-0.3	1.5		
Fringe benefit tax	3.0	3.0	3.8	2.7	6.2		
(% of total manpower costs)	1.6	1.6	1.6	0.9	2.0		
Excess Provision in earlier years	0.0	0.0	0.0	0.0	0.0		
<i>Provision for taxation as % of PBT</i>	18.7	58.1	24.9	27.3	29.4		
<b>Profit After Tax</b>							
<b>Profit After Tax</b>	<b>257.0</b>	<b>47.0</b>	<b>151.7</b>	<b>183.5</b>	<b>232.5</b>	<b>-9.5%</b>	<b>26.7%</b>
Profit After Taxes (PAT)	257.0	47.0	151.7	183.5	232.5	-9.5%	26.7%
Share of Profit of Minority interest	0.0	0.0	0.0	0.0	0.0		
<b>Profit After Taxes (PAT) and Minority Interest</b>	<b>257.0</b>	<b>47.0</b>	<b>151.7</b>	<b>183.5</b>	<b>232.5</b>	<b>-9.5%</b>	<b>26.7%</b>
<i>PAT Margin (%)</i>	31.9	6.8	19.5	18.8	20.9		
<b>Adjusted Earnings Per Share (Rs.)</b>							
Basic	5.3	0.8	2.6	3.2	4.0	-23.6%	26.5%
Diluted	5.0	0.8	2.6	3.1	3.9	-22.6%	26.7%

Source: Company data, Macquarie Research, January 2009

Fig 7 Macquarie – Global emerging market telecom valuation

## Macquarie - Global Emerging Market Telecom Valuation

Company Name	Bloomberg Ticker	Rec	Price lcy	EV/EBITDA by															
				EV/EBITDA (x)			EBITDA CAGR				PER (x)		PEG (FY3/08-3/10E)	ROE (FY09E, %)	EBITDA CAGR (FY3/08-3/10E, %)	EPS CAGR (FY3/08-3/10E, %)	P/BV (x)		
				FY3/09E	FY3/10E	FY3/11E	FY2008-10E	FY3/09E	FY3/10E	FY3/11E	FY3/09E	FY3/10E					FY3/11E	FY3/09E	FY3/10E
Bharti Airtel	BHARTI IN	OP	646.9	8.4	6.7	5.6	0.3	15.1	11.0	9.8	0.5	33.9	29.2	28.9	4.1	3.2	2.6		
Reliance Comms	RCOM IN	OP	184.9	6.1	5.4	4.1	0.3	6.5	5.7	4.8	0.5	23.0	20.8	14.1	1.2	1.0	0.9		
Idea Cellular	IDEA IN	UP	44.1	5.4	5.8	5.1	0.3	14.5	13.3	12.6	-1.7	23.1	19.4	-8.4	0.9	0.9	0.8		
MTNL	MTNL IN	UP	73.4	1.9	7.9	8.0	-0.1	39.5	80.4	-16.5	-0.6	1.0	-26.9	-61.4	0.4	0.4	0.4		
China Mobile	941 HK	OP	69.2	4.8	4.3	3.9	0.5	11.0	10.6	10.0	0.7	27.7	9.2	16.1	2.8	2.5	2.3		
China Unicom	762 HK	UP	8.2	2.6	3.0	2.9	0.1	11.1	11.6	18.0	1.6	9.1	46.1	7.1	1.0	0.7	0.7		
Indosat	ISAT IJ	UP	5,800.0	4.8	4.6	4.5	0.8	13.5	13.0	11.3	3.9	13.6	5.9	3.5	1.8	1.7	1.6		
SK Telecom	017670 KS	OP	210,000.0	5.0	4.6	4.3	3.1	11.9	9.8	8.8	0.9	12.2	1.6	13.4	1.4	1.3	1.2		
KT Freetel	032390 KS	N	28,450.0	3.8	2.8	2.4	0.4	-173.4	18.6	10.7	-3.9	3.6	9.7	44.0	1.2	1.1	1.0		
LG Telecom	032640 KQ	OP	9,660.0	4.1	3.4	2.9	0.2	10.3	8.0	7.4	0.5	16.9	16.7	19.1	1.3	1.2	1.0		
Digi.Com	DIGI MK	N	21.0	7.4	7.1	6.3	2.5	13.1	12.1	10.8	39.8	65.4	3.0	0.3	8.5	7.6	6.5		
Telekom Malaysia International	TI MK	OP	3.7	3.6	3.3	2.8	0.2	8.3	11.1	10.4	-4.7	14.2	15.7	-1.7	1.1	1.0	0.9		
Globe	GLO PM	OP	810.0	3.3	3.0	2.8	1.4	7.8	7.0	6.7	1.1	24.1	2.3	7.3	1.8	1.7	1.6		
Far EasTone	4904 TT	N	32.8	5.3	5.0	5.1	na	10.0	9.5	9.3	-2.9	14.1	-1.9	-3.4	2.0	1.9	1.8		
Taiwan Mobile	3045 TT	N	46.7	5.5	5.3	5.2	2.5	8.8	8.4	8.5	0.2	37.4	2.2	58.5	3.0	2.8	2.8		
AIS	ADVANC TB	UP	73.0	5.1	5.3	5.5	-4.7	13.2	12.5	11.9	-4.5	23.9	-1.1	-3.0	2.9	3.0	3.1		
TAC	DTAC TB	UP	29.5	4.3	4.4	4.4	1.3	7.1	6.3	5.8	1.1	17.0	3.3	6.5	1.2	1.1	1.0		
MobileOne	M1 SP	OP	1.5	5.1	5.5	5.6	na	9.4	9.6	10.0	na	71.9	-5.5	-11.7	6.5	6.2	5.8		
MTN Group Ltd	MTN SJ	OP	9,830.0	4.8	3.8	3.3	0.2	11.2	8.3	6.5	0.4	30.7	29.2	31.7	3.4	2.6	2.0		
Orascom Telecom Holding	ORTE EY	NR	26.5	5.1	4.8	4.4	3.1	3.0	6.1										
Vivo Participacoes Sa	VIVO3 BZ	NR	34.5	4.0	3.5	3.3	36.0	20.0	11.3										
America Movil Sab De C-Ser L	AMXL MM	NR	20.0	6.7	6.2	6.0	11.1	9.1	8.3										
Etihad Etisalat Co	EEC AB	NR	29.5	8.7	7.6	7.1	9.0	9.6	8.4										
Saudi Telecom Co	STC AB	NR	50.3	7.4	6.9	6.5	7.6	7.5	7.3										
Qatar Telecom (Q-Tell) Q.S.C	QTEL QD	NR	105.8	6.4	5.1	4.7	6.1	4.3	3.7										
<b>Average</b>				<b>5.3</b>	<b>4.9</b>	<b>4.5</b>		<b>3.4</b>	<b>10.0</b>	<b>9.1</b>									
<b>Average (ex-China Mobile)</b>				<b>5.3</b>	<b>4.9</b>	<b>4.6</b>		<b>3.1</b>	<b>10.0</b>	<b>9.1</b>									

RCOM's valuation (discount)/premium to Bharti	-27%	-20%	-26%	-57%	-49%	-51%	-72%	-68%	-67%
Idea's valuation (discount)/premium to Bharti	-35%	-14%	-9%	-4%	20%	29%	-77%	-73%	-69%

Prices as of 19 January 2009

Source: Bloomberg, Macquarie Research, January 2009

RCOM is trading at 20% discount to Bharti on March 2010E EV/EBITDA

Fig 8 Key annual operating &amp; financial metrics – wireless business: Bharti and RCOM

<b>Bharti Airtel</b>						
March Year ends; Rs million	FY06	FY07	FY08	FY09E	FY10E	FY11E
<b>Subscribers (m)</b>	<b>19.58</b>	<b>37.14</b>	<b>61.98</b>	<b>93.08</b>	<b>119.48</b>	<b>137.48</b>
YoY growth (%)	78.2	89.7	66.9	50.2	28.4	15.1
<b>Gross ARPU (Rs)</b>	<b>474</b>	<b>427</b>	<b>370</b>	<b>321</b>	<b>280</b>	<b>258</b>
YoY growth (%)	-7.7	-9.9	-13.3	-13.3	-12.8	-7.9
<b>Total minutes carried (m)</b>	<b>70,456</b>	<b>152,583</b>	<b>284,399</b>	<b>494,449</b>	<b>591,197</b>	<b>657,892</b>
YoY growth (%)	na	116.6	86.4	73.9	19.6	11.3
<b>Avg. monthly MoUs per subscriber</b>	<b>407</b>	<b>461</b>	<b>483</b>	<b>532</b>	<b>529</b>	<b>532</b>
YoY growth (%)	-37.5	13.3	4.9	10.1	-0.5	0.6
<b>Total Population Centres covered</b>	<b>-</b>	<b>4,432</b>	<b>13,308</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	200.3	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>82,392</b>	<b>141,443</b>	<b>217,861</b>	<b>298,142</b>	<b>356,772</b>	<b>397,021</b>
YoY growth (%)	52.5	71.7	54.0	36.8	19.7	11.3
<b>ARPM (Rs)</b>	<b>1.17</b>	<b>0.93</b>	<b>0.77</b>	<b>0.60</b>	<b>0.53</b>	<b>0.48</b>
YoY growth (%)	-22.1	-20.5	-17.3	-21.2	-12.4	-8.5
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.40</b>	<b>0.34</b>	<b>0.30</b>	<b>0.18</b>	<b>0.17</b>	<b>0.16</b>
YoY growth (%)	-2.7	-14.8	-12.4	-37.9	-10.2	-5.0
<b>Wireless EBITDA (Rs m)</b>	<b>29,712</b>	<b>53,253</b>	<b>85,481</b>	<b>91,373</b>	<b>111,950</b>	<b>129,261</b>
YoY growth (%)	60.4	79.2	60.5	6.9	22.5	15.5
<b>EBITDA margin (%)</b>	<b>36.1</b>	<b>37.6</b>	<b>39.2</b>	<b>30.6</b>	<b>31.4</b>	<b>32.6</b>
YoY expansion (basis points)	177.7	158.8	158.7	-858.9	73.1	117.9
<b>VAS as % of total revenue</b>	<b>10.4%</b>	<b>10.4%</b>	<b>9.6%</b>	<b>10.3%</b>	<b>11.4%</b>	<b>12.3%</b>
YoY growth (%)	29.8	-0.1	-7.6	7.6	11.0	7.8
<b>Total employees</b>	<b>na</b>	<b>5,532</b>	<b>6,107</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	10.4	na	na	na

  

<b>Reliance Communications</b>						
March Year ends; Rs million	FY06	FY07	FY08	FY09E	FY10E	FY11E
<b>Subscribers (m)</b>	<b>20.21</b>	<b>28.01</b>	<b>45.79</b>	<b>67.52</b>	<b>88.57</b>	<b>104.39</b>
YoY growth (%)	na	38.6	63.5	47.4	31.2	17.9
<b>Gross ARPU (Rs)</b>	<b>401</b>	<b>358</b>	<b>345</b>	<b>264</b>	<b>230</b>	<b>218</b>
YoY growth (%)	na	-10.7	-3.6	-23.5	-12.8	-5.5
<b>Total minutes carried (m)</b>	<b>110,691</b>	<b>150,178</b>	<b>203,940</b>	<b>281,954</b>	<b>372,946</b>	<b>451,837</b>
YoY growth (%)	na	35.7	35.8	38.3	32.3	21.2
<b>Avg. monthly MoUs per subscriber</b>	<b>538</b>	<b>486</b>	<b>466</b>	<b>415</b>	<b>398</b>	<b>390</b>
YoY growth (%)	na	-9.6	-4.3	-10.9	-4.0	-2.0
<b>Total Population Centres covered</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>73,643</b>	<b>107,276</b>	<b>152,135</b>	<b>178,353</b>	<b>215,576</b>	<b>251,916</b>
YoY growth (%)	na	45.7	41.8	17.2	20.9	16.9
<b>ARPM (Rs)</b>	<b>0.75</b>	<b>0.74</b>	<b>0.74</b>	<b>0.64</b>	<b>0.58</b>	<b>0.56</b>
YoY growth (%)	na	-1.3	0.7	-14.1	-9.2	-3.5
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.23</b>	<b>0.27</b>	<b>0.29</b>	<b>0.25</b>	<b>0.23</b>	<b>0.23</b>
YoY growth (%)	na	21.3	6.3	-14.9	-5.8	-1.3
<b>Wireless EBITDA (Rs m)</b>	<b>22,490</b>	<b>39,846</b>	<b>60,847</b>	<b>69,818</b>	<b>86,979</b>	<b>103,993</b>
YoY growth (%)	na	77.2	52.7	14.7	24.6	19.6
<b>EBITDA margin (%)</b>	<b>30.5</b>	<b>37.1</b>	<b>40.0</b>	<b>39.1</b>	<b>40.3</b>	<b>41.3</b>
YoY expansion (basis points)	na	660.4	285.2	-84.9	120.2	93.3
<b>VAS as % of total revenue</b>	<b>5.9%</b>	<b>6.3%</b>	<b>6.3%</b>	<b>7.6%</b>	<b>9.8%</b>	<b>10.4%</b>
YoY growth (%)	na	6.5	0.9	19.5	28.9	7.1
<b>Total employees</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na

Source: Company data, Macquarie Research, January 2009

Fig 9 Key annual operating &amp; financial metrics – wireless business: Idea and MTNL

<b>Idea Cellular</b>						
March Year ends; Rs million	FY06	FY07	FY08	FY09E	FY10E	FY11E
<b>Subscribers (m)</b>	<b>7.37</b>	<b>14.01</b>	<b>24.00</b>	<b>36.84</b>	<b>49.38</b>	<b>57.10</b>
YoY growth (%)	45.3	90.2	71.3	53.5	34.0	15.6
<b>Gross ARPU (Rs)</b>	<b>391</b>	<b>339</b>	<b>295</b>	<b>257</b>	<b>215</b>	<b>198</b>
YoY growth (%)	-5.6	-13.3	-13.1	-12.9	-16.3	-8.0
<b>Total minutes carried (m)</b>	<b>20,921</b>	<b>45,931</b>	<b>86,212</b>	<b>155,384</b>	<b>218,217</b>	<b>265,936</b>
YoY growth (%)	61.3	119.5	87.7	80.2	40.4	21.9
<b>Avg. monthly MoUs per subscriber</b>	<b>289</b>	<b>353</b>	<b>395</b>	<b>427</b>	<b>422</b>	<b>416</b>
YoY growth (%)	135,115.0	22.1	11.9	8.0	-1.1	-1.3
<b>Total Population Centres covered</b>	<b>1,944</b>	<b>4,432</b>	<b>13,308</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	76.9	128.0	200.3	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>29,489</b>	<b>43,500</b>	<b>67,199</b>	<b>93,716</b>	<b>111,193</b>	<b>126,398</b>
YoY growth (%)	31.3	47.5	54.5	39.5	18.6	13.7
<b>ARPM (Rs)</b>	<b>1.35</b>	<b>0.96</b>	<b>0.75</b>	<b>0.60</b>	<b>0.51</b>	<b>0.48</b>
YoY growth (%)	-19.0	-29.0	-22.4	-19.4	-15.3	-6.7
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.49</b>	<b>0.29</b>	<b>0.25</b>	<b>0.17</b>	<b>0.15</b>	<b>0.14</b>
YoY growth (%)	-21.7	-41.1	-13.5	-32.0	-13.5	-5.0
<b>Wireless EBITDA (Rs m)</b>	<b>10,674</b>	<b>14,653</b>	<b>22,517</b>	<b>26,568</b>	<b>32,109</b>	<b>38,837</b>
YoY growth (%)	30.0	37.3	53.7	18.0	20.9	21.0
<b>EBITDA margin (%)</b>	<b>36.0</b>	<b>33.6</b>	<b>33.5</b>	<b>28.3</b>	<b>28.9</b>	<b>30.7</b>
YoY expansion (basis points)	-40.2	-243.6	-5.0	-515.8	52.7	184.9
<b>VAS as % of total revenue</b>	<b>7.5%</b>	<b>9.0%</b>	<b>8.2%</b>	<b>9.3%</b>	<b>10.2%</b>	<b>11.3%</b>
YoY growth (%)	0.0	20.0	-8.7	13.3	9.3	10.7
<b>Total employees</b>	<b>3,720</b>	<b>5,532</b>	<b>6,107</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	48.7	10.4	na	na	na

  

<b>MTNL</b>						
March Year ends; Rs million	FY06	FY07	FY08	FY09E	FY10E	FY11E
<b>Subscribers (m)</b>	<b>2.05</b>	<b>3.05</b>	<b>3.70</b>	<b>4.55</b>	<b>4.79</b>	<b>4.91</b>
YoY growth (%)	89.8	49.2	21.1	23.1	5.3	2.5
<b>Gross ARPU (Rs)</b>	<b>331</b>	<b>261</b>	<b>239</b>	<b>191</b>	<b>156</b>	<b>137</b>
YoY growth (%)	-14.1	-21.3	-8.2	-20.3	-18.4	-12.0
<b>Total minutes carried (m)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Avg. monthly MoUs per subscriber</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Total Population Centres covered</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>5,611</b>	<b>7,334</b>	<b>8,601</b>	<b>8,424</b>	<b>7,915</b>	<b>7,260</b>
YoY growth (%)	95.2	30.7	17.3	-2.1	-6.0	-8.3
<b>ARPM (Rs)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Avg. EBITDA per minute (Rs)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Wireless EBITDA (Rs m)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>EBITDA margin (%)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY expansion (basis points)	na	na	na	na	na	na
<b>VAS as % of total revenue</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na
<b>Total employees</b>	<b>51,212</b>	<b>48,529</b>	<b>47,422</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	-6.0	-5.2	-2.3	na	na	na

Source: Company data, Macquarie Research, January 2009

**Fig 10 Key quarterly operating & financial metrics – Wireless business: Bharti and RCOM**

<b>Bharti Airtel - Actuals for 2QFY09</b>								
March Year ends; Rs million	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E
<b>Subscribers (m)</b>	<b>37.14</b>	<b>42.70</b>	<b>48.88</b>	<b>55.16</b>	<b>61.98</b>	<b>69.38</b>	<b>77.48</b>	<b>85.64</b>
YoY growth (%)	89.7	85.1	80.6	72.5	66.9	62.5	58.5	55.2
QoQ growth (%)	16.2	15.0	14.5	12.9	12.4	11.9	11.7	10.5
<b>Gross ARPU (Rs)</b>	<b>406</b>	<b>390</b>	<b>366</b>	<b>358</b>	<b>357</b>	<b>350</b>	<b>331</b>	<b>314</b>
YoY growth (%)	-8.1	-11.5	-16.5	-16.2	-12.1	-10.4	-9.5	-12.2
QoQ growth (%)	-4.8	-3.9	-6.3	-2.2	-0.2	-2.1	-5.3	-5.1
<b>Blended Churn</b>	<b>3.6%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.2%</b>	<b>na</b>
<b>Total minutes carried (m)</b>	<b>49,240</b>	<b>57,125</b>	<b>64,375</b>	<b>73,840</b>	<b>89,058</b>	<b>105,217</b>	<b>115,834</b>	<b>129,705</b>
YoY growth (%)	112.4	102.6	90.2	78.8	80.9	84.2	79.9	75.7
QoQ growth (%)	19.2	16.0	12.7	14.7	20.6	18.1	10.1	12.0
<b>Avg. monthly MoUs per subscriber</b>	<b>475</b>	<b>478</b>	<b>469</b>	<b>474</b>	<b>507</b>	<b>534</b>	<b>526</b>	<b>530</b>
YoY growth (%)	10.1	8.3	3.9	1.4	6.8	11.8	12.2	11.9
QoQ growth (%)	1.6	0.7	-1.9	1.1	7.0	5.4	-1.6	0.8
<b>Total Population Centres covered</b>	<b>212,003</b>	<b>248,439</b>	<b>294,876</b>	<b>325,525</b>	<b>347,646</b>	<b>369,335</b>	<b>389,571</b>	<b>na</b>
YoY growth (%)	151.2	135.2	85.0	79.7	64.0	48.7	32.1	na
QoQ growth (%)	17.0	17.2	18.7	10.4	6.8	6.2	5.5	na
<b>Wireless Revenues (Rs m)</b>	<b>42,431</b>	<b>46,976</b>	<b>50,579</b>	<b>56,105</b>	<b>64,201</b>	<b>69,150</b>	<b>72,843</b>	<b>76,852</b>
YoY growth (%)	75.8	65.3	53.2	49.3	51.3	47.2	44.0	37.0
QoQ growth (%)	12.9	10.7	7.7	10.9	14.4	7.7	5.3	5.5
<b>ARPM (Rs)</b>	<b>0.86</b>	<b>0.82</b>	<b>0.78</b>	<b>0.76</b>	<b>0.70</b>	<b>0.65</b>	<b>0.63</b>	<b>0.59</b>
YoY growth (%)	-16.6	-18.3	-19.6	-17.3	-17.7	-19.9	-19.4	-21.5
QoQ growth (%)	-6.3	-4.5	-4.4	-3.3	-6.7	-7.1	-3.8	-5.8
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.34</b>	<b>0.33</b>	<b>0.32</b>	<b>0.31</b>	<b>0.26</b>	<b>0.20</b>	<b>0.19</b>	<b>0.18</b>
YoY growth (%)	-10.4	-9.0	-10.3	-9.3	-24.2	-39.6	-41.0	-42.8
QoQ growth (%)	-1.2	-1.1	-3.5	-3.8	-17.4	-21.2	-5.7	-6.8
<b>Wireless EBITDA (Rs m)</b>	<b>16,604</b>	<b>19,087</b>	<b>20,728</b>	<b>22,887</b>	<b>22,779</b>	<b>21,218</b>	<b>22,009</b>	<b>22,957</b>
YoY growth (%)	89.8	84.6	70.2	62.0	37.2	11.2	6.2	0.3
QoQ growth (%)	17.5	15.0	8.6	10.4	-0.5	-6.9	3.7	4.3
<b>EBITDA margin (%)</b>	<b>39.1</b>	<b>40.6</b>	<b>41.0</b>	<b>40.8</b>	<b>35.5</b>	<b>30.7</b>	<b>30.2</b>	<b>29.9</b>
YoY expansion (basis points)	289.2	423.4	410.0	319.5	-365.1	-994.7	-1,076.7	-1,092.1
QoQ expansion (basis points)	153.4	150.0	35.0	-18.8	-531.2	-479.7	-47.0	-34.3
<b>VAS as % of total revenue</b>	<b>10.1%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>9.3%</b>	<b>9.4%</b>	<b>9.7%</b>	<b>10.0%</b>	<b>10.4%</b>
YoY growth (%)	-5.6	-8.3	-4.9	-10.6	-6.9	-2.0	2.0	12.2
QoQ growth (%)	-2.9	-2.0	-1.0	-5.1	1.1	3.2	3.1	4.4
<b>Total employees</b>	<b>20,314</b>	<b>22,955</b>	<b>23,264</b>	<b>24,703</b>	<b>25,543</b>	<b>26,144</b>	<b>25,616</b>	<b>na</b>
YoY growth (%)	na	na	na	35.6	25.7	13.9	10.1	na
QoQ growth (%)	11.5	13.0	1.3	6.2	3.4	2.4	-2.0	na

<b>Reliance Communications - Actuals for 2QFY09</b>								
March Year ends; Rs million	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E
<b>Subscribers (m)</b>	<b>28.01</b>	<b>31.87</b>	<b>36.32</b>	<b>40.96</b>	<b>45.79</b>	<b>50.79</b>	<b>56.05</b>	<b>61.34</b>
YoY growth (%)	38.6	41.5	39.8	36.6	63.5	59.4	54.3	49.7
QoQ growth (%)	-6.6	13.8	14.0	12.8	11.8	10.9	10.4	9.4
<b>Gross ARPU (Rs)</b>	<b>377</b>	<b>375</b>	<b>361</b>	<b>339</b>	<b>317</b>	<b>282</b>	<b>271</b>	<b>262</b>
YoY growth (%)	-0.5	-1.1	2.0	3.4	-15.9	-24.8	-24.9	-22.8
QoQ growth (%)	14.9	-0.5	-3.7	-6.1	-6.5	-11.0	-3.9	-3.4
<b>Blended Churn</b>	<b>nmf</b>	<b>nmf</b>	<b>1.5%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>na</b>
<b>Total minutes carried (m)</b>	<b>47,057</b>	<b>45,805</b>	<b>50,122</b>	<b>52,054</b>	<b>55,959</b>	<b>61,527</b>	<b>67,786</b>	<b>73,364</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Avg. monthly MoUs per subscriber</b>	<b>541</b>	<b>510</b>	<b>490</b>	<b>449</b>	<b>430</b>	<b>425</b>	<b>423</b>	<b>417</b>
YoY growth (%)	1.7	3.9	6.3	-1.1	-20.5	-16.7	-13.7	-7.2
QoQ growth (%)	19.2	-5.7	-3.9	-8.4	-4.2	-1.2	-0.4	-1.5
<b>Total Population Centres covered</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>29,692</b>	<b>33,730</b>	<b>37,230</b>	<b>39,567</b>	<b>41,608</b>	<b>41,187</b>	<b>43,356</b>	<b>46,101</b>
YoY growth (%)	40.0	38.7	44.6	43.8	40.1	22.1	16.5	16.5
QoQ growth (%)	7.9	13.6	10.4	6.3	5.2	-1.0	5.3	6.3
<b>ARPM (Rs)</b>	<b>0.70</b>	<b>0.74</b>	<b>0.74</b>	<b>0.76</b>	<b>0.74</b>	<b>0.66</b>	<b>0.64</b>	<b>0.63</b>
YoY growth (%)	-2.2	-4.7	-4.1	4.5	5.8	-9.7	-13.0	-16.8
QoQ growth (%)	-3.5	5.5	0.2	2.5	-2.4	-9.9	-3.5	-1.9
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.27</b>	<b>0.29</b>	<b>0.26</b>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>0.25</b>	<b>0.24</b>
YoY growth (%)	6.3	5.2	-4.9	12.5	10.7	-7.4	-5.6	-20.0
QoQ growth (%)	0.2	8.0	-9.9	15.3	-1.4	-9.7	-8.1	-2.2
<b>Wireless EBITDA (Rs m)</b>	<b>11,511</b>	<b>13,392</b>	<b>14,873</b>	<b>15,819</b>	<b>16,763</b>	<b>16,623</b>	<b>16,859</b>	<b>17,840</b>
YoY growth (%)	52.0	53.1	60.0	53.7	45.6	24.1	13.4	12.8
QoQ growth (%)	11.8	16.3	11.1	6.4	6.0	-0.8	1.4	5.8
<b>EBITDA margin (%)</b>	<b>38.8</b>	<b>39.7</b>	<b>39.9</b>	<b>40.0</b>	<b>40.3</b>	<b>40.4</b>	<b>38.9</b>	<b>38.7</b>
YoY expansion (basis points)	306.6	374.1	384.6	257.1	152.0	65.6	-106.4	-128.3
QoQ expansion (basis points)	135.9	93.6	24.5	3.1	30.8	7.2	-147.5	-18.8
<b>VAS as % of total revenue</b>	<b>6.3%</b>	<b>5.7%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.9%</b>	<b>7.6%</b>	<b>7.3%</b>	<b>7.6%</b>
YoY growth (%)	3.3	-8.1	-1.6	1.6	9.5	33.3	17.7	18.7
QoQ growth (%)	0.0	-9.5	8.8	3.2	7.8	10.1	-3.9	4.1
<b>Total employees</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na

Source: Company data, Macquarie Research, January 2009

Fig 11 Key quarterly operating &amp; financial metrics – Wireless business: Idea and MTNL

Idea Cellular - Actuals for 2QFY09								
March Year ends; Rs million	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E
<b>Subscribers (m)</b>	<b>14.01</b>	<b>16.13</b>	<b>18.67</b>	<b>21.05</b>	<b>24.00</b>	<b>27.19</b>	<b>30.38</b>	<b>34.06</b>
YoY growth (%)	na	88.9	80.2	69.2	71.3	68.6	62.7	41.9
QoQ growth (%)	12.6	15.1	15.8	12.8	14.0	13.3	11.7	12.1
<b>Gross ARPU (Rs)</b>	<b>317</b>	<b>320</b>	<b>288</b>	<b>279</b>	<b>287</b>	<b>278</b>	<b>261</b>	<b>245</b>
YoY growth (%)	na	-15.2	-14.0	-13.4	-9.5	-13.1	-9.4	-12.3
QoQ growth (%)	-1.6	0.9	-10.0	-3.1	2.9	-3.1	-6.1	-6.2
<b>Blended Churn</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>na</b>
<b>Total minutes carried (m)</b>	<b>15,469</b>	<b>17,100</b>	<b>18,831</b>	<b>22,457</b>	<b>27,824</b>	<b>33,087</b>	<b>36,315</b>	<b>41,120</b>
YoY growth (%)	na	111.2	93.4	77.8	79.9	93.5	92.8	83.1
QoQ growth (%)	22.5	10.5	10.1	19.3	23.9	18.9	9.8	13.2
<b>Avg. monthly MoUs per subscriber</b>	<b>387</b>	<b>381</b>	<b>360</b>	<b>377</b>	<b>411</b>	<b>428</b>	<b>417</b>	<b>425</b>
YoY growth (%)	na	7.0	4.7	2.2	6.2	12.3	15.8	12.8
QoQ growth (%)	4.9	-1.6	-5.5	4.7	9.0	4.1	-2.6	2.0
<b>Total Population Centres covered</b>	<b>4,432</b>	<b>6,066</b>	<b>8,413</b>	<b>11,104</b>	<b>13,308</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	167.1	177.6	207.8	200.3	na	na	na
QoQ growth (%)	22.9	36.9	38.7	32.0	19.8	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>13,057</b>	<b>14,773</b>	<b>15,622</b>	<b>17,081</b>	<b>19,724</b>	<b>21,735</b>	<b>22,992</b>	<b>23,664</b>
YoY growth (%)	na	65.2	56.1	49.0	51.1	47.1	47.2	38.5
QoQ growth (%)	13.9	13.1	5.7	9.3	15.5	10.2	5.8	2.9
<b>ARPM (Rs)</b>	<b>0.82</b>	<b>0.84</b>	<b>0.80</b>	<b>0.74</b>	<b>0.70</b>	<b>0.65</b>	<b>0.62</b>	<b>0.58</b>
YoY growth (%)	na	-20.8	-17.9	-15.2	-14.8	-22.7	-22.5	-22.2
QoQ growth (%)	-6.1	2.5	-4.8	-7.5	-5.6	-7.0	-4.5	-7.2
<b>Avg. EBITDA per minute (Rs)</b>	<b>0.27</b>	<b>0.30</b>	<b>0.27</b>	<b>0.25</b>	<b>0.24</b>	<b>0.22</b>	<b>0.17</b>	<b>0.15</b>
YoY growth (%)	na	-16.1	-21.1	-14.0	-12.7	-26.4	-38.5	-40.6
QoQ growth (%)	-7.3	9.6	-8.9	-7.1	-5.8	-7.6	-23.8	-10.3
<b>Wireless EBITDA (Rs m)</b>	<b>4,363</b>	<b>5,128</b>	<b>5,107</b>	<b>5,672</b>	<b>6,606</b>	<b>7,219</b>	<b>6,024</b>	<b>6,171</b>
YoY growth (%)	na	69.8	43.9	53.1	51.4	40.8	18.0	8.8
QoQ growth (%)	17.7	17.5	-0.4	11.1	16.5	9.3	-16.6	2.5
<b>EBITDA margin (%)</b>	<b>33.4</b>	<b>34.7</b>	<b>32.7</b>	<b>33.2</b>	<b>33.5</b>	<b>33.2</b>	<b>26.2</b>	<b>26.1</b>
YoY expansion (basis points)	na	93.7	-275.2	88.1	7.9	-149.6	-649.1	-712.7
QoQ expansion (basis points)	108.8	129.6	-201.9	51.6	28.6	-27.8	-701.5	-12.0
<b>VAS as % of total revenue</b>	<b>9.0%</b>	<b>8.4%</b>	<b>8.3%</b>	<b>8.0%</b>	<b>8.2%</b>	<b>8.9%</b>	<b>9.8%</b>	<b>9.2%</b>
YoY growth (%)	na	-8.7	-13.5	-13.0	-8.9	6.0	18.1	15.5
QoQ growth (%)	-2.2	-6.7	-1.2	-3.6	2.5	8.5	10.1	-5.7
<b>Total employees</b>	<b>5,532</b>	<b>5,638</b>	<b>5,865</b>	<b>5,923</b>	<b>6,107</b>	<b>6,380</b>	<b>6,521</b>	<b>na</b>
YoY growth (%)	na	27.5	27.6	27.5	10.4	13.2	11.2	na
QoQ growth (%)	19.0	1.9	4.0	1.0	3.1	4.5	2.2	na

  

MTNL- Actuals for 2QFY09								
March Year ends; Rs million	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09A	3QFY09E
<b>Subscribers (m)</b>	<b>2.94</b>	<b>2.81</b>	<b>2.99</b>	<b>3.21</b>	<b>3.53</b>	<b>3.72</b>	<b>3.96</b>	<b>4.20</b>
YoY growth (%)	43.7	25.0	26.3	26.5	20.1	32.2	32.2	30.8
QoQ growth (%)	15.9	-4.4	6.5	7.2	10.0	5.3	6.4	6.1
<b>Blended ARPU GSM (Rs)</b>	<b>228</b>	<b>253</b>	<b>284</b>	<b>242</b>	<b>237</b>	<b>213</b>	<b>207</b>	<b>197</b>
YoY growth (%)	-24.2	-12.5	4.2	-12.6	3.7	-15.7	-27.2	-18.8
QoQ growth (%)	-17.7	10.7	12.6	-14.8	-2.3	-10.0	-2.8	-5.0
<b>Blended Churn</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>Total minutes carried (m)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Avg. monthly MoUs per subscriber</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Total Population Centres covered</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Wireless Revenues (Rs m)</b>	<b>1,974</b>	<b>2,241</b>	<b>2,523</b>	<b>2,329</b>	<b>2,409</b>	<b>2,298</b>	<b>2,332</b>	<b>2,356</b>
YoY growth (%)	15.1	11.1	26.4	6.3	22.0	2.5	-7.6	1.2
QoQ growth (%)	-9.9	13.5	12.6	-7.7	3.4	-4.6	1.5	1.0
<b>ARPM (Rs)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Avg. EBITDA per minute (Rs)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Wireless EBITDA (Rs m)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>EBITDA margin (%)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY expansion (basis points)	na	na	na	na	na	na	na	na
QoQ expansion (basis points)	na	na	na	na	na	na	na	na
<b>VAS as % of total revenue</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na
<b>Total employees</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
YoY growth (%)	na	na	na	na	na	na	na	na
QoQ growth (%)	na	na	na	na	na	na	na	na

Source: Company data, Macquarie Research, January 2009

## Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p><b>Macquarie - Australia/New Zealand</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral – return within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie – Asia/Europe</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie First South – South Africa</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie – Canada</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral – return within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie – USA</b>            Outperform (Buy) – return &gt;5% in excess of benchmark return            Neutral (Hold) – return within 5% of benchmark return            Underperform (Sell) – return &gt;5% below benchmark return</p> <p><b>Recommendations – 12 months</b>  <b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p><b>Very high–highest risk</b> – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low–medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to Australian/NZ/Canada stocks only</p>	<p>All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / epfowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = adjusted net profit + depreciation            *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

## Recommendation proportions – For quarter ending 31 December 2008

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	38.55%	50.61%	64.52%	53.13%	65.55%	43.00%
Neutral	41.82%	15.92%	25.81%	40.63%	27.73%	48.00%
Underperform	19.64%	33.47%	9.68%	6.25%	6.72%	9.00%

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<b>London</b> Tel: (44 20) 3037 4400	<b>Manila</b> Tel: (63 2) 857 0888	<b>Melbourne</b> Tel: (613) 9635 8139	<b>Montreal</b> Tel: (1 514) 925 2850	<b>Mumbai</b> Tel: (91 22) 6653 3000	<b>Perth</b> Tel: (618) 9224 0888	<b>Seoul</b> Tel: (82 2) 3705 8500
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## Asia Research

### Head of Equity Research

Stephen O'Sullivan (852) 2823 3566

### Automobiles/Auto Parts

Kenneth Yap (Indonesia) (6221) 515 7343  
Dan Lucas (Japan) (813) 3512 6050  
Eunsook Kwak (Korea) (822) 3705 8644  
Linda Huang (Taiwan) (8862) 2734 7521

### Banks and Non-Bank Financials

Ismael Pili (Asia, Japan) (65) 6231 2840  
Nick Lord (Asia, China, Hong Kong) (852) 2823 4774  
Sarah Wu (China) (8621) 2412 9035  
Seshadri Sen (India) (9122) 6653 3053  
Ferry Wong (Indonesia) (6221) 515 7335  
Chin Seng Tay (Malaysia, S'pore) (65) 6231 2837  
Nadine Javellana (Philippines) (832) 857 0890  
Matthew Smith (Taiwan) (8862) 2734 7514  
Alastair Macdonald (Thailand) (662) 694 7741

### Chemicals/Textiles

Scott Weaver (Taiwan) (8862) 2734 7512  
Jal Irani (India) (9122) 6653 3040  
Christina Lee (Korea) (822) 3705 8670  
Sunaina Dhanuka (Malaysia) (603) 2059 8993

### Conglomerates

Gary Pinge (Asia) (852) 2823 3557  
Leah Jiang (China) (8621) 2412 9020  
Kenneth Yap (Indonesia) (6221) 515 7343  
Ashwin Sanketh (Singapore) (65) 6231 2830

### Consumer

Mohan Singh (Asia) (852) 3901 1111  
Jessie Qian (China, Hong Kong) (852) 2823 3568  
Charles Yan (China) (8621) 2412 9033  
Unmesh Sharma (India) (9122) 6653 3042  
Duane Sandberg (Japan) (813) 3512 7867  
Toby Williams (Japan) (813) 3512 7392  
Heather Kang (Korea) (822) 3705 8677  
HongSuk Na (Korea) (822) 3705 8678  
Edward Ong (Malaysia) (603) 2059 8982  
Alex Pomento (Philippines) (632) 857 0899  
Linda Huang (Taiwan) (8862) 2734 7521

### Emerging Leaders

Jake Lynch (Asia) (8621) 2412 9007  
Hiu-Lui Ko (China) (852) 2823 4704  
Minoru Tayama (Japan) (813) 3512 6058  
Robert Burghart (Japan) (813) 3512 7853  
Heather Kang (Korea) (822) 3705 8677  
Scott Weaver (Taiwan) (8862) 2734 7512

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Inderjeetsingh Bhatia (India) (9122) 6653 3166  
Christopher Cintavey (Japan) (813) 3512 7432  
Janet Lewis (Japan) (813) 3512 7475  
Michael Na (Korea) (822) 2095 7222  
Sunaina Dhanuka (Malaysia) (603) 2059 8993  
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Mark Kellock (Asia) (852) 2823 3567  
Seshadri Sen (Asia, India) (9122) 6653 3053  
Makarim Salman (Japan) (813) 3512 7421

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Michelle Paisley (China, Hong Kong) (852) 2823 3516  
Ulrike Pollak-Tsutsumi (Frankfurt) (49) 69 7593 8747  
Thomas Renz (Geneva) (41) 22 818 7712  
Ajay Bhatia (India) (9122) 6653 3200  
Stuart Smyth (India) (9122) 6653 3200  
Chris Gray (Indonesia) (6221) 515 7304  
Gino C Rojas (Philippines) (632) 857 0761  
Greg Norton-Kidd (New York) (1 212) 231 2527  
Luke Sullivan (New York) (1 212) 231 2507  
Scot Mackie (New York) (1 212) 231 2848  
Sheila Schroeder (San Francisco) (1 415) 835 1235

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Jessie Qian (China, Hong Kong) (852) 2823 3568  
Shubham Majumder (India) (9122) 6653 3049  
Prem Jearajasingam (Malaysia) (603) 2059 8989  
Alex Pomento (Philippines) (632) 857 0899

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David Johnson (Asia, China) (852) 2823 4691  
Scott Weaver (Taiwan) (8862) 2734 7512  
Jal Irani (India) (9122) 6653 3040  
Polina Diyachkina (Japan) (813) 3512 7886  
Christina Lee (Korea) (822) 3705 8670  
Edward Ong (Malaysia) (603) 2059 8982  
Sunaina Dhanuka (Malaysia) (603) 2059 8993  
Ashwin Sanketh (Singapore) (65) 6231 2830

### Pharmaceuticals

Abhishek Singhal (India) (9122) 6653 3052  
Naomi Kumagai (Japan) (813) 3512 7474  
Christina Lee (Korea) (822) 3705 8670

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Matt Nacard (Asia) (852) 2823 4731  
Eva Lee (China, Hong Kong) (852) 2823 3573  
Chris Cheng (China, Hong Kong) (852) 2823 3581  
Unmesh Sharma (India) (9122) 6653 3042  
Chang Han Joo (Japan) (813) 3512 7885  
Hiroshi Okubo (Japan) (813) 3512 7433  
Tuck Yin Soong (Singapore) (65) 6231 2838  
Elaine Cheong (Singapore) (65) 6231 2839  
Corinne Jian (Taiwan) (8862) 2734 7522  
Patti Tomatrachitr (Thailand) (662) 694 7727

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Andrew Dale (Asia) (852) 2823 3587  
Xiao Li (China) (8621) 2412 9009  
YeeMan Chin (China) (852) 2823 3562  
Rakesh Arora (India) (9122) 6653 3054  
Adam Worthington (Indonesia) (6221) 515 7338  
Polina Diyachkina (Japan) (813) 3512 7886  
Christina Lee (Korea) (822) 3705 8670  
Scott Weaver (Taiwan) (8862) 2734 7512

### Technology

Warren Lau (Asia) (852) 2823 3592  
Kishore Belai (India) (9122) 6653 3046  
Damian Thong (Japan) (813) 3512 7877  
David Gibson (Japan) (813) 3512 7880  
George Chang (Japan) (813) 3512 7854  
Yukihiro Goto (Japan) (813) 3512 5984  
Do Hoon Lee (Korea) (822) 3705 8641  
Michael Bang (Korea) (822) 3705 8659  
Patrick Yau (Singapore) (65) 6231 2835  
Chia-Lin Lu (Taiwan) (8862) 2734 7526  
Daniel Chang (Taiwan) (8862) 2734 7516  
James Chiu (Taiwan) (8862) 2734 7517  
Nicholas Teo (Taiwan) (8862) 2734 7523

### Telecoms

Tim Smart (Asia, China) (852) 2823 3565  
Bin Liu (China) (852) 2249 3634  
Shubham Majumder (India) (9122) 6653 3049  
Kenneth Yap (Indonesia) (6221) 515 7343  
Nathan Ramler (Japan) (813) 3512 7875  
Prem Jearajasingam (Malaysia) (603) 2059 8989  
Ramakrishna Maruvada (Philippines, Singapore, Thailand) (65) 6231 2842

### Sales Trading

Adam Zaki (Asia) (852) 2823 3528  
Mona Lee (Hong Kong) (852) 2823 3519  
Stuart Goddard (Europe) (44) 20 7065 2033

### Transport & Infrastructure

Gary Pinge (Asia) (852) 2823 3557  
Anderson Chow (Asia, China) (852) 2823 4773  
Jonathan Windham (Asia, China) (852) 2823 5417  
Wei Sim (China, Hong Kong) (852) 2823 3598  
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Sunaina Dhanuka (Malaysia) (603) 2059 8993

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Carol Cao (China, Hong Kong) (852) 2823 4075  
Adam Worthington (Indonesia) (6221) 515 7338  
Kakutoshi Ohori (Japan) (813) 3512 7296  
Prem Jearajasingam (Malaysia) (603) 2059 8989  
Alex Pomento (Philippines) (632) 857 0899

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Max Layton (4420) 7065 2000  
Bonnie Liu (8621) 2412 9008  
Henry Liu (8621) 2412 9005  
Rakesh Arora (9122) 6653 3054

### Data Services

Andrea Clohessy (Asia) (852) 2823 4076

### Economics

Bill Belchere (Asia) (852) 2823 4636  
Rajeev Malik (ASEAN, India) (65) 6231 2841  
Richard Gibbs (Australia) (612) 8232 3935  
Paul Cavey (China) (852) 2823 3570  
Richard Jerram (Japan) (813) 3512 7855

### Quantitative

Martin Emery (Asia) (852) 2823 3582  
Viking Kwok (Asia) (852) 2823 4735  
George Platt (Australia) (612) 8232 6539  
Raelene de Souza (Australia) (612) 8232 8388  
Tsumugi Akiba (Japan) (813) 3512 7560

### Strategy/Country

Tim Rocks (Asia) (852) 2823 3585  
Daniel McCormack (Asia) (852) 2823 4073  
Desh Peramunetilleke (Asia) (852) 2823 3564  
Mahesh Kedia (Asia) (852) 2823 3576  
Michael Kurtz (China) (8621) 2412 9002  
Seshadri Sen (India) (9122) 6653 3053  
Ferry Wong (Indonesia) (6221) 515 7335  
Chris Hunt (Japan) (813) 3512 7878  
Peter Eadon-Clarke (Japan) (813) 3512 7850  
Eugene Ha (Korea) (822) 3705 8643  
Prem Jearajasingam (Malaysia) (603) 2059 8989  
Edward Ong (Malaysia) (603) 2059 8982  
Alex Pomento (Philippines) (632) 857 0899  
Tuck Yin Soong (ASEAN, Singapore) (65) 6231 2838  
Daniel Chang (Taiwan) (8862) 2734 7516  
Alastair Macdonald (Thailand) (662) 694 7741

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### Sales Trading cont'd

Brendan Rake (India) (9122) 6653 3204  
Edward Robinson (London) (44) 20 7065 5883  
Robert Risman (New York) (1 212) 231 2555  
Isaac Huang (Taiwan) (8862) 2734 7582  
Jon Omori (Tokyo) (813) 3512 7838

### Alternative Strategies

Convertibles - Roland Sharman (852) 2823 4628  
Depository Receipts - Robert Ansell (852) 2823 4688  
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