

Share Data

Share Data	Absolute price performance			
	(%)	1M	3M	12M
BSE Sensex	6.3	(5.4)	7.4	
B&K Telecom Universe				
Bharti	5.0	1.6	12.1	
RCOM	22.8	(24.5)	(37.3)	
Idea	14.4	(3.7)	(1.3)	
TTML	3.7	(20.2)	(36.2)	
TCOM	16.8	(0.7)	(12.2)	
MTNL	12.5	(14.9)	(37.2)	
Tulip	(2.5)	(20.3)	(16.4)	
FY11/CY10 (x)	PE	EV/EBITDA		
India				
Bharti	21.8	8.1		
RCOM	15.1	7.9		
Idea	24.8	8.4		
TTML	NA	22.7		
TCOM	NA	11.6		
MTNL	NA	NA		
Tulip	6.6	4.9		
US*				
AT&T	12.2	5.4		
Verizon	16.7	5.6		
Latin America*				
America Movil	12.8	6.1		
Entel	11.4	4.7		
Europe				
Deutsche Telecom*	13.9	5.1		
France Telecom*	9.2	5.4		
Telecom Italia*	7.8	4.8		
Telefoncia*	9.5	6.0		
Telenor*	11.6	5.8		
Vodafone	10.5	8.5		
Middle East*				
Cellcom	10.4	6.1		
Etisalat	10.6	4.8		
MTN	11.5	5.2		
Zain	12.8	8.4		
Asia Pacific				
China Mobile*	9.8	3.8		
China Unicom*	61.5	5.3		
NTT DoCoMo	12.4	4.1		
SingTel	12.3	8.7		
Telekom Malaysia*	23.9	5.1		

Source: Bloomberg,
*Financial year ending in December

What's inside?

1. February 2011 SIM additions stood at 20.2 mn and total base reached 786 mn.
2. Active subscriber base for January 2011 stood at 71%; Bharti and Idea maintain lead.
3. Vodafone has been the net gainer post MNP launch followed by Idea and Bharti Airtel.
4. Vodafone, Idea launch 3G services.
5. As per media reports, Bharti Airtel may buy Qualcomm's BWA business in four circles at a 25-30% premium.
6. Mr Kabil Sibal orders probe in Tata Communication land demerger issue.
7. As per media reports, DoT plans to grant subsidy of Rs 30 bn to both BSNL and MTNL. For MTNL subsidy could be Rs 3-3.5 bn.
8. Bharti Airtel has withdrawn its bid for TCIL's 30% stake in Bharti Hexacom.
9. DoT conducts round table conference with telecom operators to discuss issues related to the telecom sector.
10. As per media reports, the Government would ask five telcos to pay close to Rs 11 bn as penalties for underreporting revenue.
11. RBI includes 'Telecom Towers' under infrastructure facility for availing credit from NBFCs.
12. TDSAT stays DoT's Rs 0.5 bn penalty on Idea.
13. DoT cancels Etisalat's licence in Delhi and Mumbai.

B&K's view

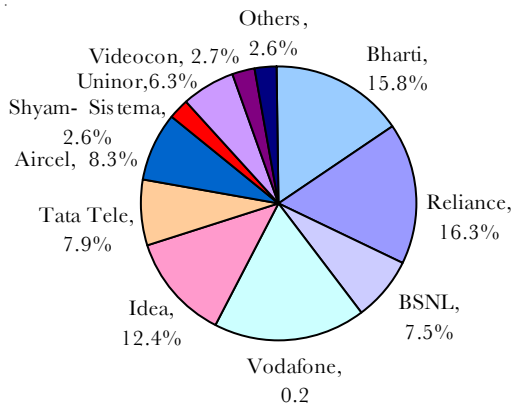
SIM addition remains robust for the incumbents and after losing subscribers in January, Videocon has been a gainer in February. MNP data clearly shows that subscribers prefer the GSM network over CDMA and incumbents (Vodafone, Idea and Bharti) have been the biggest net gainers of subscribers. All operators have launched 3G services selectively and are adding new towns every day. Initial 3G launch will be restricted to cities and towns (urban areas) as the cost-benefit analysis of launching 3G in rural areas will not be currently appealing. Considering the leveraged financials, high licence fees paid for 3G spectrum and the lack of any pan-India operator; we believe that operators would avoid price war in this segment. Initial contribution from 3G would be insignificant; however, increasingly decline in voice ARPU will be offset by increasing data ARPU.

As we write this report, news flashes report that there has been a rift between Telenor and Unitech (promoters of Uninor) on a proposed rights issue. Is this the first sign of 'giving up' with Unitech not ready to commit more equity into the business?

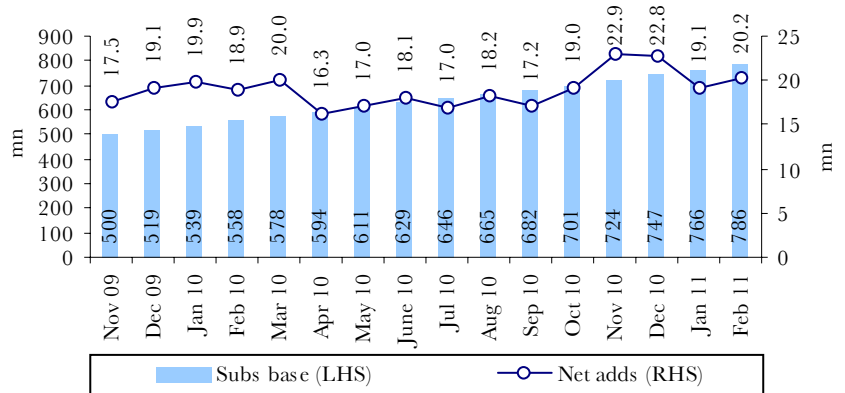
The telecom minister has started discussions with the stakeholders on the new telecom policy; however, we believe that arriving at a consensus will take a very long time (or this might just not happen!). Hopefully, NTP11 will be a forward looking policy which will clear the regulatory murk from the sector.

Maintain Outperformer on Bharti Airtel, Idea and Tulip and Underperformer on RCOM, TTML and MTNL.

Company-wise net adds break-up



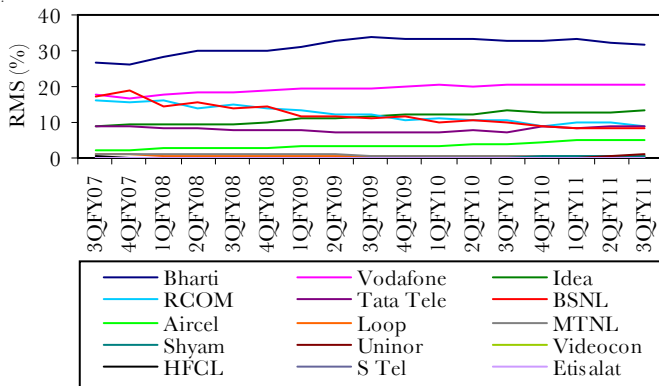
Total cellular subscriber base



Source: COAI, AUSPI, TRAI and B&K Research

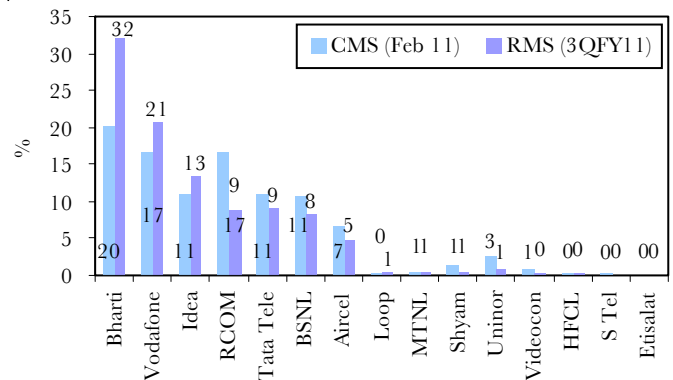
Note: Others include MTNL, BPL Mobile, HFCL Infotel, Etisalat DB and S Tel

Revenue market share (RMS) movement



Source: TRAI

Customer market share (CMS) versus Revenue market share (RMS)



Valuation

	Mkt. cap. (US\$ mn)	EV (US\$ mn)	EV/Sales (x)			EV/EBITDA (x)			PER (x)		
			FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Bharti	29,438	35,829	3.3	2.7	2.6	8.2	8.1	8.1	14.7	21.8	18.7
RCOM	4,844	11,590	2.6	2.6	2.6	7.6	7.9	7.9	4.6	15.1	53.3
Idea	4,848	6,857	2.3	2.0	1.8	8.5	8.4	8.4	28.6	24.8	43.1
TTML	645	1,576	2.8	3.1	3.2	10.3	22.7	22.7	NA	NA	NA
TCOM	1,569	3,022	1.2	1.2	1.0	13.3	11.6	11.6	NA	NA	NA
MTNL	637	1,026	(0.5)	1.2	3.7	NA	NA	NA	NA	NA	NA
Tulip	454	707	1.5	1.4	1.2	5.4	4.9	4.9	8.8	6.6	5.3

1. SIM additions for February 2011 (please see Appendix-I for details)

The Indian telecom industry witnessed healthy SIM additions in February 2011; the first full month after Mobile number portability (MNP) was launched in India. As opined by us earlier, initial off-take of MNP points that it has not been a game-changer and SIM addition figures have not been affected by it. SIM addition stood at 20.2 mn and SIM base reached 785.9 mn. Incumbents have been in the lead to add SIMs while Uninor and BSNL (who had outperformed industry in terms of SIM additions in the last six months) witnessed drastic reduction in additions.

- **Bharti Airtel: Addition of 3.2 mn (3.3 mn in January), total base at 159 mn**

[GSM: Operates in 22 of 22 circles]

SIM addition improved in Category A circles which helped it to maintain its SIM additions run rate during February 2011.

- **RCOM: Addition of 3.3 mn (3.2 mn in January), total base at 132.2 mn**

[CDMA: Operates in 22 of 22 circles, GSM: Operates in 22 of 22 circles]

SIM additions were outstanding in Metros offsetting lower SIM additions in Category A and Category C circles.

- **Vodafone Essar: Addition of 3.6 mn (3.1 mn in January), total base at 130.9 mn**

[GSM: Operates in 22 of 22 circles]

Vodafone's average SIM additions have been close to 3.1 mn in the last three months. Vodafone, with 0.19 mn subscribers porting-in, has been a key gainer post MNP launch (on 20th January 2011). If we exclude the gains due to MNP launch, the SIM additions still remains impressive.

- **Idea Cellular: Addition of 2.5 mn (2.5 mn in January), total base at 86.8 mn**

[GSM: Operates in 22 of 22 circles]

Idea registered impressive performance in Category A circles. The decline in SIM additions in Metros and Category B was offset by impressive net adds in Category A.

- **Tata Tele (including Tata Tele (Maharashtra) Ltd.): Addition of 1.6 mn (1.8 mn in January), total base at 87.6 mn**

[CDMA: Operates in 22 of 22 circles, GSM: Operates in 21 of 22 circles]

SIM additions declined slightly due to lower additions in Metros, Category B and Category C.

- **BSNL: Addition of 1.5 mn (2.2 mn in January), total base at 85.1 mn**

[CDMA: Operates in 20 of 20 circles, GSM: Operates in 20 of 20 circles]

The SIM additions recorded huge decline in February 2011. BSNL has seen good subscriber traction in past six months; however, it has been a big loser post MNP launch and this is reflected in net add numbers.

- **Aircel: Addition of 1.7 mn (1.6 mn in January), total base at 53.5 mn**
[GSM: Operates in 22 of 22 circles]
 Aircel maintained its SIM additions MoM. SIM additions dropped in Metros; however, this was offset by massive increase in Category C circle.
- **Uninor: Addition 1.3 mn (1.8 mn in January), total base at 21.6 mn**
[GSM: Operates in 13 of 22 circles]
 SIM additions run rate declined for the month. Metros and Category B circles remained key losers.
- **Sistema-Shyam: Addition of 0.5 mn (0.7 mn in January), total base at 9.6 mn**
[CDMA: Operates in 18 of 22 circles]
 The SIM additions decline for February 2011, as all the categories (except Metros) witnessed lower additions MoM.
- **Videocon: Addition of 0.55 mn (loss of 1.31 mn in January), total base at 6.6 mn**
[GSM: Operates in 16 of 22 circles]
 After the loss of 1.3 mn SIMs last month, Videocon added 0.55 mn SIMs in February 2011. SIM additions improved across all categories.
- **MTNL: Addition of 25,786 mn (37,586 mn in January), total base at 5.2 mn**
[CDMA: Operates in 2 of 2 circles; GSM: Operates in 2 of 2 circles]
 SIM additions declined in both circles, Delhi and Mumbai.
- **Loop Telecom: Addition of 17,161 (17,541 in January), total base at 3.1 mn**
[GSM: Operates in 9 of 22 circles]
 Operations in nine circles (eight circles are new). SIM additions remained miniscule in new circles; Mumbai added 16,891 SIMs during the month.
- **S Tel: Addition of 0.17 mn (0.2 mn in January) total base at 2.9 mn**
[GSM: Operates in 5 of 6 circles]
 S Tel operates in five Category C circles. SIM additions witnessed slight moderation.
- **Etisalat DB: Addition of 0.19 mn (0.19 mn in January) total base at 0.65 mn**
[GSM: Operates in 15 of 15 circles]
 SIM additions improved slightly in Metros (operates only in Delhi and Mumbai). We would like to highlight that Etisalat has started reporting increase in its subscriber additions since November 2010 after TRAI recommended cancelling the licence of new players for not meeting their roll-out obligations. This sudden spurt in SIM addition is due to the pressure to meet its roll-out obligations; however, this trend could not remain for long.

2. Active subscribers for January 2011

TRAI released active subscriber numbers for the month of January 2011. However, this time TRAI has released operator-wise peak active subscribers at any point of time in the month of January 2011 against the earlier practice of releasing active subscribers on the last day of the month.

As always, Bharti Airtel and Idea maintained lead with active subscriber base at 90% plus level. Vodafone and Uninor improved their active subscriber's base by almost 200 bps to 78% and 47%, respectively, while Videocon's active subscriber base increased by ~12% to 47%. On the other hand BSNL (down ~3% MoM), S Tel (down ~5% MoM) and Etisalat (down 2.5% MoM) active subscribers declined MoM.

Active subscribers

Operators	Active subscribers (mn)		Reported subscribers (mn)		Active subs to reported subs (%)	
	Dec 10	Jan 11	Dec 10	Jan 11	Dec 10	Jan 11
Bharti	140.0	142.7	152	155.8	91.8	91.6
Vodafone	94.3	98.9	124	127.4	75.9	77.7
RCOM	84.1	85.4	126	128.9	67.0	66.3
IDEA	73.6	76.1	82	84.3	90.0	90.3
BSNL	46.3	45.0	81	83.6	56.9	53.8
Tata Tele	40.5	42.6	84	86.1	48.1	49.6
Aircel	30.2	31.5	50	51.8	60.1	60.7
Unitech	8.3	9.5	19	20.3	44.9	47.0
Sistema Shyam	4.1	4.6	8	9.1	49.2	50.7
Videocon	2.7	3.0	7	6.0	37.2	49.7
MTNL	1.9	1.9	5	5.2	35.1	36.6
Loop	1.3	1.4	3	3.1	43.8	44.1
S Tel	1.1	1.0	2	2.5	45.8	41.0
HFCL	0.6	0.6	2	1.3	39.3	49.9
Etisalat	0.1	0.2	0	0.5	36.0	33.6
Total	529.2	544.5	747	766	70.4	71.1

Source: TRAI

B&K's view

The trend for incumbents stays the same, however, few new players like Uninor and Sistema-Shyam, have improved in terms of active subscribers. There is a reason behind this. Earlier, TRAI used to release active subscribers for the last day of the month, but this time it has released peak active subscriber base (recorded) at any point of time (during the month) for all the operators. This is the peak traffic recorded by any operator during the month and, in our view, is more precise than the earlier VLR data. This reiterates our view that incumbent operator's SIM is the primary SIM of subscribers and they use the new operator's network (or SIM card) to make outgoing calls to play on certain tariff arbitrage. This also justifies the jump reported by Vodafone, Uninor and Videocon during the month.

We reiterate that the active subscriber base pattern for the industry would remain same as most of the subscribers on the new operator network are multi-SIM. Maintain Outperformer on Bharti Airtel and Idea and Underperformer on RCOM.

3. MNP update

As per TRAI, by the end of February 2011, 3.8 mn subscribers have submitted request for porting the number. Gujarat has received the highest number of porting requests (0.36 mn porting request, 10% of the total requests) followed by Haryana and Karnataka (~8% of total porting requests).

As per the figures revealed by DoT, Vodafone with 0.19 mn port-in has been the highest gainer followed by Idea (net gain of 0.15 mn) and Bharti Airtel (~0.148 mn). On the other hand, BSNL (lost ~1.32 mn subscribers); RCOM (CDMA division lost 1.28 mn subscribers) and Tata Teleservices Ltd. (CDMA division lost 1.04 mn subscribers) were the biggest losers.

B&K's view

The available porting data corroborates that GSM incumbents have emerged stronger after recent wave of competition. Clearly CDMA is not the preferred platform and subscribers are leaving the PSU (BSNL and MTNL) network.

However, we reiterate that MNP would not be a game changer for the Indian telecom industry as rock bottom tariffs have already resulted in multi-SIM phenomenon. We believe that MNP would remain a short term (may be two quarters) phenomenon. In the initial phase, we may see slightly higher decline in average rate per minute (ARPM) or tariffs, particularly for the post-paid segment as incumbents try to retain their high ARPU subscribers. But in the long run it is unlikely to lead to any major tariff destruction in the industry. Maintain Outperformer on Bharti Airtel and Idea and Underperformer on RCOM.

4. Vodafone, Idea launch 3G services

Vodafone launched its 3G services during the month. At present, Vodafone has launched its 3G services in selected areas (of Uttar Pradesh and Mumbai). Trial services are automatically activated for the customer with 3G handsets and these subscribers would be able to enjoy 3G services at 2G rates till 10 April 2011. After 10 April 2010, subscribers who wish to continue their 3G services will have to activate it separately and services will be charged accordingly. Vodafone has not yet revealed its data plan.

Tariff plan: Idea Cellular

Price (Rs)	Data	Validity	After initial usage
9	10 MB	1	10p/10KB
54	50 MB	3	10p/10KB

Last but not the least; on 28 March 2011 Idea also launched its 3G services in Madhya Pradesh, Chhattisgarh, Gujarat, Haryana and Himachal Pradesh. Post this launch, S Tel remains the only player to launch its 3G services (3G in Himachal Pradesh, Bihar and Orissa) while all the key 3G operators have launched their services. Idea's management plans to rollout 3G services in 200 towns by April 2011 and intends to take it further to 4,000 towns by FY12E.

As this is the initial phase, Idea has offered only two sachet plans to its customers.

As per media articles, Idea is in to process of finalising the network sharing agreement with other operators for its non-3G circles.

B&K's view

So far Bharti Airtel, RCOM, Tata Teleservices, Aircel have launched their 3G services. With Vodafone and Idea launching their services, the total number of 3G operators in India reaches seven (including MTNL/BSNL); however, it should be noted that none of the operators have a pan-India licence and there are not more than five 3G operators in any circle.

In terms of tariffs, Vodafone is yet to reveal its tariff plan while Idea has kept it data rates in line with other 3G operators.

3G tariff comparison

Rates		Bharti Airtel	RCOM	Tata Docomo	Aircel	Idea
Initial	Paisa/10 KB	0.4-0.8	0.7-1.9	0.3-1.3	0.4-1.2	0.8-0.9
After initial offer	Paisa/10 KB	15	10	10	3	10

We believe that the telcos have paid a lot money for 3G spectrum and the lack of any pan-India operator (in 3G) will restrict the industry from getting into any tariff war as witnessed in 2G services. We expect wireless data to follow the same S-growth of curve as observed by 2G voice and it will be the next growth driver of the Indian telecom industry.

5. As per media articles, Bharti Airtel to buy Qualcomm India at a premium of 25-30%

As per media articles, Bharti Airtel to buy Qualcomm India at a 25-30% premium of what Qualcomm paid for the spectrum; media reports quote the deal value at US\$ 1.2-1.3 bn. Qualcomm India paid Rs 49.13 bn for BWA spectrum (20 MHz) across 4 circles including the lucrative ones Mumbai and Delhi. Later Qualcomm sold 26% stake to Global Group and Tulip Telecom (13% each) to fulfill the criteria of maximum 74% holding by any foreign entity. Tulip paid Rs 1.4 bn for the 13% stake valuing Qualcomm India's equity at Rs 10.8 bn and the rest payment towards spectrum would have been through debt.

B&K's view

Bharti Airtel will have to launch 4G operations to keep pace with the march of technology and it won 4 circles during the BWA auctions. While the ecosystem and monetization is not yet developed, RIL's big-bang entry will ensure that customer acceptability is quicker. While we would want Bharti to own BWA spectrum in Mumbai and Delhi but we would be negatively surprised if Bharti pays a premium of 25-30% on what Qualcomm paid during the auctions. The reasons are below:

- BWA operations have not been launched by anyone and Qualcomm India just holds spectrum, in short nothing has changed from June 2010 till now for any value accretion in Qualcomm India.
- In fact now Bharti knows that RIL is also in this business (with a pan-India spectrum) which probably makes anyone else's business case weaker.
- Moreover, Bharti would want the ecosystem of 4G to develop and only then they would commit more capital to it may be by buying BWA spectrum when the Government auctions it the next time (say in 2012/13).
- Qualcomm needs a commitment from the operator that it will use LTE technology (as it will earn royalty payments in the future); a 25-30% premium could be unfounded.
- If the deal does happen at a premium, Bharti will ensure that it gets heavy discount on all equipments that Qualcomm will provide it for LTE operations in the future.

The deal will be positive for Tulip Telecom (provided it happens at a premium) and our sensitivity analysis is as below. We would believe that Bharti will pay a ~10% premium to what Qualcomm paid as it would also include carrying cost for Qualcomm, etc.; however, when the deal would fructify is anybody's guess (if at all). Bharti's net debt will increase by the amount it pays Qualcomm and interest expenses will thus increase with any revenue upside from 4G being highly back-ended. This will delay paring down of Bharti's foreign debt (for Zain). We have an Outperformer on Bharti and Tulip.

Tulip's gain on sale of Qualcomm India

Qualcomm India paid for 4 circles (Rs mn)	49,126	49,126	49,126	49,126	49,126
Tulip's investment in Qualcomm (Rs mn)	1,400	1,400	1,400	1,400	1,400
Tulip's stake in Qualcomm (%)	13	13	13	13	13
Qualcomm India's equity value (Rs mn)	10,769	10,769	10,769	10,769	10,769
Assuming EV as equal to spectrum fees paid, debt assumed by Qualcomm India (Rs mn)	38,357	38,357	38,357	38,357	38,357
Assumed premium to the deal (%)	0	10	20	25	30
New equity value after completion of the deal (Rs mn)	10,769	15,682	20,594	23,051	25,507
Tulip's share in this @ 13% (Rs mn)	1,400	2,039	2,677	2,997	3,316
Profit on investment (Rs mn)	0	639	1,277	1,597	1,916
Net gain (post tax implications @10% on short-term gain, Rs mn)	0	575	1,150	1,437	1,724
US\$ rate	45	45	45	45	45
Net gain (US\$)	0	13	26	32	38

6. Tata Communication: Land demerger issue

The new issue emerged around Tata Communications (TCOM), formerly known as VSNL, land holding. Mr Kapil Sibal, Telecom minister has ordered investigation relating to impeding demerger of 741 acres of land and reassess if TCOM received any undue advantage during VSNL's divestment process.

B&K's view

Tata Sons acquired VSNL in ~2001. It was agreed between the Government and Tata Sons that the surplus land of VSNL will be de-merged into a separate entity with a mirror shareholding of VSNL (whenever the de-merger happens). Additionally, Tata Sons will transfer 25% of their stake in the demerged entity to the Government of India without any consideration. The surplus land has a book value of Rs 1.6 mn and measures 741 acres in cities across Pune, New Delhi, Kolkata and Chennai.

We are not competent enough to comment on whether there were any irregularities during the divestment of VSNL to the Tata's in 2001-02. However, once the land is demerged from TCOM, it could help TCOM initiate a few corporate actions which have been stuck because of no clarity in the land holdings.

Raising funds via equity was nearly impossible for TCOM due to the pending land issue, the Government was reluctant to let fresh equity be issued to any party and let its (Government's) holding come down below 26% in TCOM. As a result, TCOM had to meet its fund requirement through debt leading to mounting of debt of Rs 63.3 bn (net debt-to-equity ratio of 1.98x). Once the land is divested, there could be talks of a big bang merger between TTSL, TTML and TCOM.

If the land sale fructifies, the value per share of the land bank will be lower because of the stamp duty payable and the capital gains tax payable. When Tata had purchased VSNL it was agreed that the sale of surplus land will be done in such a manner that the incidence of tax and stamp duty is minimised. We are not sure how much of stamp duty/tax liability could arise because of the special arrangement in which the land bank could be sold.

We value the core-business of Tata Communication (TCOM) at Rs 8 per share and TCOM's holding in TTSL at Rs 67 per share and the surplus land bank is valued at Rs 183 per share (or Rs 52.2 bn) giving a target price of Rs 258, maintain Underperformer.

7. As per media articles, MTNL to get Rs 3-3.5 bn subsidy for retirement benefits

Media articles report that DoT plans to grant subsidy of Rs 30 bn to both BSNL and MTNL. The major part of this subsidy would go to BSNL for the losses it incurred due to social obligation in the rural areas. The Government will grant subsidy to MTNL towards the retirement benefits that it grants to its employees. As per media articles, this figure is pegged at Rs 3-3.5 bn.

B&K's view

During our earlier interaction with the management, MTNL was hopeful of getting some Government subsidy to meet its retirement benefits. It had also stressed on the fact that except for MTNL, the retirement and pension burden of all PSU's is borne by the Government. MTNL was exempted from this benefit as it did not negotiate with the Government during the divestment process.

Going by MTNL's stance, they seem to be eligible for the subsidy for retirement benefits and this is a positive development as far as MTNL is concerned. (Over the last nine months MTNL has spent Rs 10.3 bn for retirement benefits; Rs 2.4 bn as actual payment and Rs 7.9 bn as provision).

Fundamentally operations are struggling and MTNL is losing out in the saturated markets of Mumbai and Delhi. We maintain Underperformer; however, key risk to our call is any development on land bank, refund from Government for 3G and BWA licence fees, merger with BSNL, signing of roaming/franchising agreements with private operators for 3G and BWA and greater assistance from the Government on employee pension benefits.

8. Bharti Hexacom withdraws from Hexacom deal

Bharti Airtel has withdrawn its bid for TCIL's 30% stake in Bharti Hexacom (Hexacom). As per the media articles, the Government was considering significant premium above the base price (derived by a consultant) of Rs 18 bn and extension of another six months to conclude the deal. Both the conditions were unacceptable to Bharti Airtel and thus it withdrew its bid leaving Punj Loyd, the only bidder for the 30% stake in Hexacom.

B&K's view

In our earlier monthly (October 2010) we had mention that giving an EV/EBITDA multiple of 6.3x at 20% discount to Bharti Airtel's EV/EBITDA (as operations are limited to only two circles), the fair value for Hexacom's 30% stake comes to ~Rs 18 bn which is in line with the base price fixed by the consultant. Keeping this thing in mind, we believe that paying considerable premium over and above the base price of Rs 18 bn would not be feasible for Bharti Airtel.

But does this mean that Punj Lloyd will go ahead with this deal? We would like to highlight that the controlling stake along with first right of refusal stays with Bharti Airtel. Hence, we believe that Punj Lloyd's bid for 30% stake in Hexacom was only from the investment perspective and not from a strategic perspective. Also, Bharti Airtel has stated that it does not intend to declare dividend. Thus, we do not believe that Punj Lloyd will opt to pay a significant premium for the 30% stake in Hexacom. Maintain Outperformer on Bharti.

9. DoT's open discussion with operators

DoT under the supervision of the Telecom Minister Mr Kapil Sibal had organised a roundtable conference with all telecom operators on 08 March 2011. The discussion involved issues like spectrum pricing, spectrum allocation, licence renewal, M&A, etc.

The key issues discussed along with important comments by stake holders are as follows.

Spectrum allocation

TRAI had recommended a cap of 6.2 MHz on spectrum and beyond this limit one-time charge would be levied.

Spectrum allocation

GSM incumbents	CDMA operators	New players
<p>Bharti, Idea and Vodafone disagree with a cap of 6.2 MHz on spectrum allotted.</p> <p>Bharti: Additional spectrum allocation should be based on allocation criteria; no priority to new operators.</p>	<p>RCOM: 6.2 MHz should be allocated to new players as it is bundled with licence.</p> <p>Additional spectrum should attract charges.</p>	<p>Uninor: 6.2 MHz is critical spectrum for business and to be awarded as per subscriber linked criteria.</p>

Spectrum charges

TRAI has recommended a spectrum charge of 0.5% for every MHz up to the contracted limit (i.e. 6.2 MHz) and 1% for every MHz beyond the contracted spectrum.

Spectrum charges

GSM incumbents	CDMA operators	New players
<p>Bharti: Demanded level playing field; it holds 10% of the industry spectrum and pays ~32% of spectrum charges. It claimed that focus has been on GSM; while CDMA is charged less.</p> <p>Idea: Opposed increase in spectrum usage charges.</p>	<p>RCOM: Supports increase in spectrum charge (as per TRAI's recommendation) and proposed higher increase in spectrum usage charge beyond 8 MHz (Cat A, B and C) and 10 MHz (Mumbai and Delhi).</p>	<p>–</p>

Licence fees

TRAI recommended gradual reduction in licence fees to 6% over the next three to four years.

Licence fees

GSM incumbents	CDMA operators	New players
<p>Bharti: Uniform licence fees across services.</p> <p>Vodafone: Supports licence fees at 6%; but propose to implement immediately.</p> <p>Idea: 5% USO levy needs attention.</p>	<p>RCOM: Recommended licence fees based on income slab and reconsideration of USO levy.</p>	<p>Aircel: Uniform licence fees to reduce arbitrage.</p>

Licence renewal and re-farming

TRAI recommended withdrawal of spectrum beyond 6.2 MHz and one-time spectrum charge at the time of licence renewal.

Licence renewal and re-farming

GSM incumbents	CDMA operators	New players
<p>Idea: Believes TRAI's recommendation on renewal may have adverse impact on the industry; lot of spectrum was issued in the last two-three years and hence pricing cannot be significantly difference.</p>	<p>RCOM: Spectrum to be allocated during renewal should be limited to prescribed limit i.e., 10MHz/6.25MHz in Delhi, Mumbai, 8MHz/5Mhz in other circles); Spectrum to be refarmed during licence renewal.</p> <p>Auspi: supports spectrum refarming.</p>	<p>Aircel: Opposes spectrum refarming.</p>

Unbundling of spectrum with licence

TRAI recommended delinking of spectrum with licences for future allocation. However, spectrum trading and sharing is not allowed.

Unbundling of spectrum with licence

GSM incumbents	CDMA operators	New players
<p>Bharti: Spectrum trading to be allowed which would also help to determine the market value of spectrum.</p> <p>Vodafone: Delinking should include both, licence already allocated and licence to be allocated in future.</p> <p>Idea: Licence to be made perpetual while spectrum to be allocated to the operators assigning it the highest economic value.</p>	<p>RCOM: Supports TRAI recommendations.</p>	<p>–</p>

Roll out obligations

TRAI recommended roll out obligations to be based on habitation where operators will have to cover areas with population of more than 5,000 persons.

Roll out obligations

GSM incumbents	CDMA operators	New players
<p>Vodafone: Disagree with spectrum allocation to be replaced with habitation criteria from current subscribers linked criteria.</p> <p>Bharti: Spectrum should not be linked with roll out obligations.</p>	<p>RCOM: Disagree with spectrum allocation to be replaced with habitation criteria from current subscribers linked criteria.</p> <p>Auspi: Roll out to be left to the market force.</p>	<p>Uninor: considers current roll-out obligations fair.</p> <p>Sistema-Shyam: does not agree with roll out obligations based on habitation.</p>

Merger and acquisition norms

TRAI recommended a cap of 30% on revenue market share (RMS) and customer market share (CMS) of the combined entity.

Merger and acquisition norms

GSM incumbents	CDMA operators	New players
<p>Bharti: M&A should be supported.</p> <p>Vodafone: M&A to be left to market forces.</p> <p>Idea: At present entry to the sector is easy however exit is difficult.</p>	<p>RCOM: Supports TRAI recommendations.</p>	<p>Aircel: Allowing more M&A with free entry and exit into industry.</p> <p>Sistema-Shyam: proposes more liberal policies.</p>

Other issues addressed: Operators disagreed with bringing IP-1 under in-licencing framework while they were okay with ISP to be brought under licencing regime.

B&K's view

The issues discussed in the round table conference would provide direction for formulation of the National Telecom Policy 2011 (NTP11). However, there have been a difference of opinion amongst the telecom operators and this needs to be reconciled for formation of a progressive policy to put the sector back on the growth path. Mr Sibal has a tough job of drawing a fine line of balance amongst the telcos. NTP 11 should bring more clarity in terms of policy framework and should provide proper direction to the sector; however, such divergent views amongst stakeholders clearly indicates that NTP11 is not round the corner.

10. As per media articles, penalties to be imposed on telcos for misrepresentation of revenue

As per the media reports, the Government would ask five telecom operators to pay close to Rs 11 bn as a fine for underreporting of revenue. The fine quoted by the media reports was highest for RCOM at Rs 3.3 bn followed by Vodafone at Rs 2 bn. The earlier media reports have stated the fine for Bharti Airtel at Rs 0.98 bn and Rs 0.74 bn for Idea.

B&K's view

The penalty figures quoted in media bears the following impact on the operators.

Penalty – Impact on operators

FY12E	Bharti Airtel	Idea	RCOM
Rs mn			
PAT	70,775	5,036	4,040
Tax rate (%)	27.5	17.1	17.5
Penalty	980	740	3,300
Penalty post tax	711	613	2,723
PAT post penalty	70,064	4,423	1,318
Change (%)	(1.0)	(12.2)	(67.4)

As per media articles, after the conduct of audit proposed by the Government, the auditors have reported misrepresentation of revenue by the telecom operators (particularly RCOM). The under-reporting charges are also there for Bharti Airtel and Idea but the quantum is relatively smaller. The auditors also stated that the key reason for the difference in reporting is due to the discrepancies in the guidelines laid by the Government for recognition of adjusted gross revenue (AGR).

We are not competent enough to comment whether the operators have under-reported revenues and, if yes, then the quantum of fine that should be imposed on them. We believe that if the DoT claims any penalty it will have to face legal challenge from the operators. Maintain Outperformer on Bharti Airtel and Idea.

11. RBI gives telecom towers infrastructure status to avail loan from NBFC's

RBI has decided to include 'Telecom Towers' as an infrastructure facility for availing credit facility. This provision (for telecom towers) was already valid for Banks; now it has been extended to NBFCs.

As per the current norm, the cap on the bank loan to infrastructure sector is set at 25% (it can go up to 30% based on board approval). The passive infrastructure company can avail the bank loan under the same provision. Now, with inclusion of telecom tower under infrastructure facility for NBFC's loan, the scope to raise (or availability) of fund will increase for tower companies.

B&K's view

The passive infrastructure industry is going through consolidation phase (past deal includes formation of Indus, Tata-Quippo (merger) and sell out of towers by Aircel to GTL). At present, Reliance Infratel (RCOM's subsidiary) and Vodafone's tower business are on the block. Though, giving infrastructure status to telecom towers for NBFC loans is not a big move, it would certainly give another option to tower companies for raising funds. Symbolically positive for GTL, Bharti, Idea and RCOM.

12 TDSAT stays Rs 0.5 bn penalty on Idea

TDSAT has stayed DoT's Rs 0.5 bn penalty (for Punjab circles) on Idea. DoT believes that Idea-Spice merger has violated license agreement which attracts a penalty of Rs 0.5 bn (for each circle).

In June 2008, Idea acquired license for six circles (Delhi, Haryana, Punjab, Karnataka, Andhra Pradesh and Maharashtra) from Spice, of which only Punjab and Karnataka were operational.

As per DoT, Idea and Spice Merger has led to the violation of the following license agreements:

- i. Not more than 10% holding in two companies in the same circles
- ii. Violation of three years lock-in period: Spice had been allocated license in four circles (excluding Punjab and Karnataka) in January 2008 and sold these licences to Idea within three years, leading to violation of licence agreement.
- iii. Roll out obligations: Post Idea-Spice deal, Idea held two licenses in six overlapping circles (mentioned above). Of these licences, Idea has utilised only one license in each circle (as the current policy does not allow utilising spectrum of the merged/acquired entity) and hence the second license is attracting DoT's attention for not meeting roll-out obligation.

Idea's management, from their side, since completion of the merger have made attempts to return the excess spectrum across these 6 circles and sought refund (Rs 8.4 bn) for return of spectrum. However, no response was received from DoT. Now, due to same reason Idea has not been allotted 3G spectrum in Punjab.

B&K's view

TDSAT stay on Rs 0.5 bn fine is a big relief; however, it is just a stay and not a final decision. Though we need to wait for the final verdict; we believe that DoT will not repay Rs 8.4 bn licence fee refund sought by Idea for its non-operational circles and Idea will eventually get 3G spectrum in Punjab. Maintain Outperformer on Idea.

13. As per media reports, DoT cancels Etisalat licence in Delhi and Mumbai

As per media reports DoT has cancelled Etisalat's licence in Delhi and Mumbai for not meeting roll out obligations.

B&K's view

DoT has issued show cause notice to Etisalat in the first week of March 2011 and as per this notice Etisalat was given 60 days to respond to DoT. Thus, we are not clear as to how DoT can cancel Etisalat licence before completion of 60 days.

The cancellation of licence will not have any material impact on the telecom industry as the extent of damage which could have happened due to competition has already been done. Plus, Etisalat has not done any serious launch in any circles. However, cancellation of licence would free up the spectrum in these two circles which can be further allocated to more serious players.

Revenue market share (RMS)

(%)	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
Bharti	29.9	31.2	32.7	33.9	33.3	33.6	33.3	32.7	32.9	33.3	32.3	31.9
Vodafone	19.1	19.7	19.6	19.6	19.9	20.5	19.9	20.7	20.7	20.5	20.6	20.7
Idea	9.8	10.9	11.4	11.6	12.0	12.4	12.3	13.1	12.8	13.0	12.9	13.4
RCOM	13.9	13.5	12.4	12.0	10.8	11.1	10.8	10.8	9.1	9.9	10.0	8.8
Tata Tele	7.9	7.9	7.5	7.2	7.1	7.0	7.6	7.3	9.0	8.4	8.8	9.0
BSNL	14.5	11.7	11.4	11.0	11.7	10.1	10.4	9.7	9.1	8.2	8.1	8.2
Aircel	2.9	3.2	3.1	3.1	3.4	3.6	3.9	3.9	4.7	4.9	5.2	4.9
Loop	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
MTNL	1.0	0.9	0.9	0.8	0.7	0.6	0.7	0.6	0.5	0.5	0.5	0.6
Shyam	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.6
Uninor	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.2	0.4	0.9
Videocon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
HFCL	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
S Tel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Etisalat	0.0	0.0	0.0	0.0	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0

Source: TRAI

RMS movement (change in bps QoQ)

(%)	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
Bharti	12	127	153	111	(59)	32	(26)	(65)	22	42	(106)	(35)
Vodafone	68	58	(10)	0	29	55	(54)	80	(1)	(18)	4	17
Idea	31	111	44	19	47	40	(9)	73	(30)	24	(13)	52
RCOM	(119)	(40)	(101)	(44)	(117)	26	(33)	5	(168)	78	11	(123)
Tata Tele	(7)	(4)	(41)	(25)	(15)	(6)	58	(28)	166	(53)	35	23
BSNL	34	(272)	(32)	(47)	71	(159)	32	(66)	(67)	(89)	(10)	13
Aircel	8	26	(10)	(4)	31	17	36	3	73	23	25	(27)
Loop	(4)	(2)	2	(3)	(1)	(3)	(0)	3	(5)	2	4	1
MTNL	(16)	(3)	(2)	(8)	(10)	(8)	7	(13)	(11)	(2)	7	3
Shyam	(3)	1	(5)	3	(1)	3	(1)	11	8	4	12	13
Uninor	0	0	0	0	1	5	0	(2)	17	(5)	24	45
Videocon	0	0	0	0	0	0	0	0	0	0	0	15
HFCL	(3)	(3)	(0)	(3)	(1)	(1)	1	(0)	(2)	1	4	0
S Tel	0	0	0	0	0	0	0	0	1	2	2	2
Etisalat	0	0	0	0	25	(1)	(10)	(2)	(3)	(10)	0	0

Source: TRAI

Subscriber additions and total subscriber base

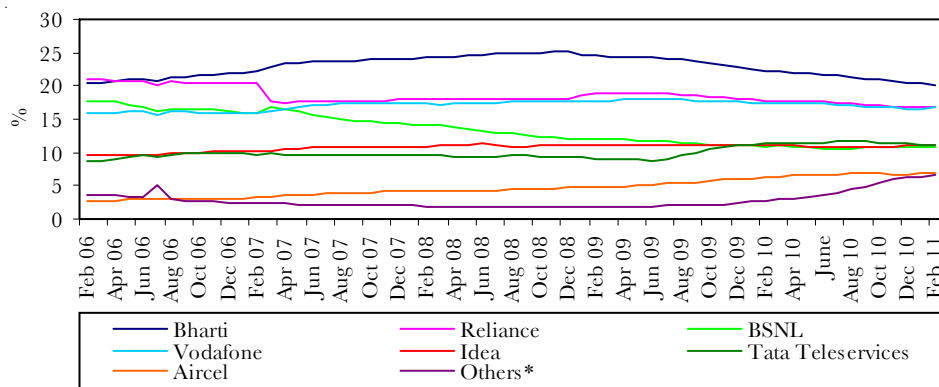
(mn subscribers)	Subscriber additions				Total subscriber base		
Operators	Nov 10	Dec 10	Jan 10	Feb 10	Jan 10	Feb 10	MoM (%)
Bharti	3.10	3.10	3.30	3.20	155.80	159.00	2.06
<i>Market share (%)</i>	<i>13.4</i>	<i>13.6</i>	<i>17.3</i>	<i>15.8</i>	<i>20.3</i>	<i>20.2</i>	–
Reliance	3.01	3.29	3.22	3.31	128.87	132.18	2.56
<i>Market share (%)</i>	<i>13.0</i>	<i>14.4</i>	<i>16.9</i>	<i>16.3</i>	<i>16.8</i>	<i>16.8</i>	–
BSNL	3.02	3.19	2.20	1.51	83.59	85.10	1.80
<i>Market share (%)</i>	<i>13.0</i>	<i>14.0</i>	<i>11.5</i>	<i>7.5</i>	<i>10.9</i>	<i>10.8</i>	–
Vodafone	3.12	3.09	3.11	3.56	127.36	130.92	2.79
<i>Market share (%)</i>	<i>13.5</i>	<i>13.5</i>	<i>16.3</i>	<i>17.6</i>	<i>16.6</i>	<i>16.7</i>	–
Idea	2.80	2.95	2.51	2.51	84.29	86.80	2.98
<i>Market share (%)</i>	<i>12.1</i>	<i>12.9</i>	<i>13.2</i>	<i>12.4</i>	<i>11.0</i>	<i>11.0</i>	–
Tata Teleservices	1.78	1.64	1.82	1.60	86.05	87.65	1.86
<i>Market share (%)</i>	<i>7.7</i>	<i>7.2</i>	<i>9.5</i>	<i>7.9</i>	<i>11.2</i>	<i>11.2</i>	–
Aircel	1.22	1.43	1.66	1.67	51.83	53.50	3.22
<i>Market share (%)</i>	<i>5.3</i>	<i>6.3</i>	<i>8.7</i>	<i>8.3</i>	<i>6.8</i>	<i>6.8</i>	–
MTNL	0.04	0.02	0.04	0.03	5.15	5.18	0.50
<i>Market share (%)</i>	<i>0.2</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.7</i>	<i>0.7</i>	–
BPL	0.02	0.02	0.02	0.02	3.06	3.08	0.56
<i>Market share (%)</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.4</i>	<i>0.4</i>	–
Shyam-Sistema	0.66	0.66	0.66	0.52	9.09	9.61	5.70
<i>Market share (%)</i>	<i>2.8</i>	<i>2.9</i>	<i>3.5</i>	<i>2.6</i>	<i>1.2</i>	<i>1.2</i>	–
Uninor	2.45	2.31	1.80	1.27	20.31	21.58	6.26
<i>Market share (%)</i>	<i>10.6</i>	<i>10.1</i>	<i>9.4</i>	<i>6.3</i>	<i>2.7</i>	<i>2.7</i>	–
Videocon	1.13	0.58	-1.31	0.55	6.01	6.56	9.20
<i>Market share (%)</i>	<i>6.1</i>	<i>2.5</i>	<i>-6.9</i>	<i>2.7</i>	<i>0.8</i>	<i>0.8</i>	–
Others	0.56	0.56	0.06	0.48	4.25	4.73	11.31
<i>Market share (%)</i>	<i>2.4</i>	<i>2.5</i>	<i>0.3</i>	<i>2.4</i>	<i>0.6</i>	<i>0.6</i>	–
Total	22.91	22.84	19.09	20.22	765.68	785.90	2.64

Source: COAI, AUSPI

Circle-wise subscriber break-up

(mn subscribers)	Subscriber additions				Total subscriber base		
	Nov 10	Dec 10	Jan 10	Feb 10	Jan 10	Feb 10	MoM (%)
All Metros	2.1	2.28	2.25	2.69	104.55	107.24	2.6
Market share (%)	9.0	10.0	11.8	13.3	13.7	13.6	-
A' Category	8.3	7.95	5.83	6.38	261.62	267.99	2.4
Market share (%)	35.7	34.8	30.6	31.5	34.2	34.1	-
B' Category	9.6	9.85	8.31	8.34	298.54	306.87	2.8
Market share (%)	41.5	43.1	43.5	41.2	39.0	39.0	-
C' Category	3.2	2.76	2.69	2.82	100.98	103.80	2.8
Market share (%)	13.8	12.1	14.1	13.9	13.2	13.2	-
Total	23.2	22.84	19.09	20.22	765.68	785.90	2.6

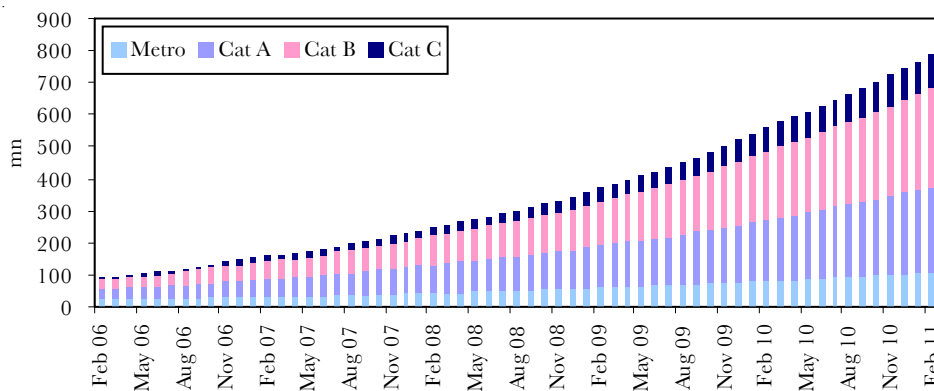
Customer market share movement



*Others include MTNL, BPL Mobile, HFCL Infotel, Shyam-Sistema, Uninor, Etisalat DB and STel.

Source: COAI, AUSPI, B&K Research.

Circle-wise subscriber base



Source: COAI, AUSPI, B&K Research

Operator-wise customer market share (February 2011)

Market share (%)	Bharti	Rcom	BSNL	Vodafone	Idea	Tata Teleservices	Aircel	BPL	MTNL	HFCL Infotel	Shyam Telelink	Uninor	Others
Delhi	20.7	20.6		18.7	9.7	15.4	5.3		6.7		1.8		1.0
Mumbai	9.9	21.5		16.5	5.6	17.3	3.9	9.0	7.9		1.7	2.7	3.9
Chennai	23.5	8.8	11.7	15.8	0.0	9.6	30.6						
Kolkata	15.4	21.6	10.7	18.4	4.0	14.4	7.5	0.0			2.8	5.2	
Maharashtra	13.9	15.1	10.0	17.8	20.8	17.0	1.7				0.7	2.9	0.0
Gujarat	14.5	16.2	8.0	30.9	14.8	7.5	0.9				0.1	3.8	3.3
A. P.	27.1	14.1	11.4	12.0	13.5	14.9	2.9				0.5	3.5	0.0
Karnataka	30.1	15.6	10.5	13.3	8.1	14.9	3.3				2.4	1.8	0.0
Tamil Nadu	16.9	12.0	11.5	15.9	2.2	6.7	27.7				2.4	2.3	2.4
Kerala	11.2	12.4	17.6	17.0	21.4	8.9	6.6				1.6	1.9	1.3
Punjab	21.9	13.9	15.9	13.9	15.4	12.0	1.9	0.0		5.0	0.0		0.0
Haryana	10.2	18.0	15.1	18.8	15.2	15.0	2.1	0.0			0.6		4.9
Uttar Pradesh (W)	13.1	20.5	9.5	19.1	17.2	10.9	3.6				0.1	6.0	0.1
Uttar Pradesh (E)	19.2	19.4	15.6	21.4	8.5	7.0	3.0				0.1	5.7	0.1
Rajasthan	28.9	16.2	13.1	20.0	6.9	9.3	1.2	0.0			4.4		0.1
Madhya Pradesh	20.4	24.7	9.7	6.0	23.8	11.3	1.6	0.0			0.0		2.4
West Bengal	21.9	16.3	8.2	26.2	4.6	7.7	7.3	0.0			3.1	4.8	0.0
Himachal Pradesh	22.6	20.7	23.1	4.4	6.9	5.3	10.1						7.0
Bihar	28.4	15.8	10.7	9.4	8.3	9.9	8.4				1.4	4.8	2.8
Orissa	23.3	16.3	16.4	9.5	4.6	11.8	10.9	0.0			0.0	3.7	3.5
Assam	26.5	18.2	12.4	11.5	2.5	1.0	27.4	0.0					0.5
N.E. Total	27.9	9.0	18.8	10.9	2.9	1.2	28.8	0.0					0.4
J&K	35.7	7.8	13.4	8.7	1.8	1.8	30.9						

Market leader

2nd position

Note: Others includes STel, Etisalat DB and Videocon.

Operator-wise revenue market share (3QFY11)

Market share (%)	Bharti	Rcom	BSNL	Vodafone	Idea	Tata Teleservices	Aircel	BPL	MTNL	HFCL Infotel	Shyam Telelink	Uninor	Others
Delhi	38.4	10.9		22.8	8.5	11.5	2.4		5.0		0.5		0.0
Mumbai	19.3	15.2		30.6	4.5	14.0	1.9	10.2	3.1		0.5	0.7	0.0
Kolkata	28.3	9.4	4.8	33.9	1.8	13.6	4.6	0.1			2.0	1.5	0.0
Maharashtra	18.4	7.2	7.2	21.8	31.2	12.6	0.8				0.1	0.7	0.0
Gujarat	16.8	7.0	7.0	41.8	17.6	7.2	(0.1)					1.2	1.6
A. P.	40.8	7.2	10.0	10.4	16.4	13.1	1.2				0.0	0.9	0.0
Karnataka	49.4	7.5	7.9	12.3	7.1	12.8	1.3				1.2	0.5	0.0
Tamil Nadu	33.1	6.0	9.1	20.4	0.7	6.0	23.4				0.8	0.3	0.3
Kerala	15.7	5.2	16.7	21.9	32.3	5.4	1.8				0.6	0.3	0.1
Punjab	36.4	3.3	10.6	15.6	21.2	8.9	(0.6)			4.5			0.0
Haryana	16.4	5.9	15.4	26.4	19.8	15.2	(0.6)				0.2		1.3
Uttar Pradesh (W)	17.6	9.5	8.6	24.0	28.9	7.5	1.6					2.3	0.0
Uttar Pradesh (E)	30.5	8.4	10.2	32.2	10.4	4.3	1.3					2.6	0.0
Rajasthan	47.9	5.7	9.2	21.8	7.6	4.9	0.2				2.8		0.0
Madhya Pradesh	29.0	15.2	8.8	3.9	32.6	8.4	(0.2)					2.2	0.0
West Bengal	27.2	9.2	8.6	38.1	2.2	5.0	5.5				2.4	1.8	0.0
Himachal Pradesh	42.3	13.1	22.3	4.4	4.5	4.1	7.1						2.3
Bihar	49.7	11.7	6.4	8.6	8.6	7.3	5.0				0.6	1.3	0.7
Orissa	39.9	12.0	19.4	7.7	2.0	9.6	8.0					0.8	0.8
Assam	33.9	17.9	6.7	10.3	1.2	2.5	27.5	0.0					
N.E. Total	35.8	6.9	13.2	8.3	1.0	3.8	31.0	0.0					
J&K	45.1	3.5	11.4	4.6	1.0	3.5	30.9	0.0					

Market leader

2nd position

Note: Others includes STel, Etisalat DB and Videocon

Source: TRAI

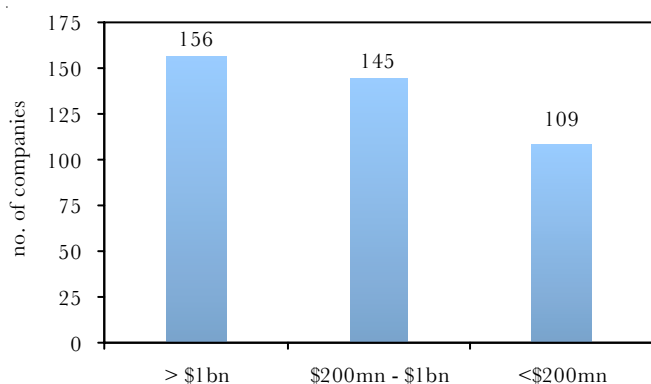
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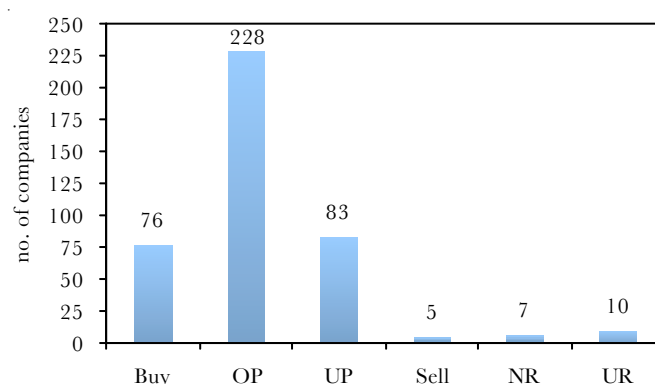
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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