

## Telecom

### AGR growth resumes, Idea gains market share

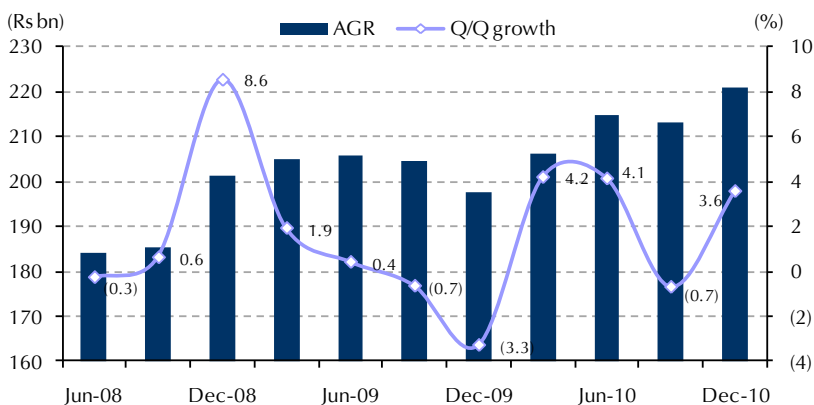
**Wireless adjusted gross revenues (AGR) grew 3.6% QoQ in Q3FY11:** Industry-wide wireless AGR and GR grew by 3.6% and 4.7% QoQ respectively on the back of a 1% QoQ decline in AGR during the preceding quarter. The growth was broadbased across the players (except RCOM and Aircel which saw a decline) and was driven by both strong subscriber traction and better MOUs given the strong seasonality. Besides we note that tariffs seem to have bottomed out for most incumbents and going forward one can expect revenue growth to be more inline with traffic growth.

**Idea and Uninor gain AGR market share:** Idea and Uninor were the major gainers in AGR market share this quarter taking their market shares to 13.4%/0.9% from 12.9%/0.5% respectively. These gains were largely at the expense of RCOM and Aircel which saw market shares decline by 1.2% and 0.3%. Besides these most other incumbents managed to maintain their market shares. Bharti/Vodafone/TTSL saw their AGR grow 2.9%/4.8%/6.8% respectively.

**Growth driven by A and B circles:** Although the growth was broadbased across the geographies, it was driven primarily by A and B circles, which grew by 4.1% and 4.6% QoQ and 13.5% and 12.5% YoY respectively. Metros grew 2% QoQ while C circles grew 1.4% QoQ. We continue to believe that incremental growth will come from the rural areas.

**Improving fundamentals; however regulatory overhang remains:** Indian telecom companies have registered good operational performance over the past few quarters. We continue to believe that competitive intensity in the sector has peaked and is evident in stable ARPMs across the sector. Besides we also note that, strong incumbents have maintained revenue market share despite competition and any share gains by the Greenfield operators have been at the expense of weaker players. As such we continue to remain positive on the sector given improving metrics; however regulatory clarity remains the key trigger for the stocks. Bharti remains our preferred pick in the space given its market leadership position in India and greater ability to absorb regulatory shocks.

#### Indian telecoms: Wireless AGR trend



Source: TRAI

#### Geographical AGR trends

(Rs mn)	Dec-10	Sep-10	Dec-09	Q/Q(%)	Y/Y (%)
Metros	37,787	37,060	35,812	2.0	5.5
A circle	84,444	81,081	74,389	4.1	13.5
B circle	73,134	69,946	64,993	4.6	12.5
C circle	25,440	25,080	22,599	1.4	12.6

Source: TRAI

#### AGR market share trend

(%)	Mar-10	Jun-10	Sep-10	Dec-10
Bharti	32.9	33.3	32.2	32.0
VOD-Essar	20.7	20.5	20.6	20.8
BSNL+MTNL	9.6	8.6	8.7	8.7
RCOM	9.1	9.9	10.0	8.8
Idea	12.8	13.0	12.9	13.4
TTSL	9.0	8.4	8.8	9.1
Aircel	4.7	4.9	5.1	4.9
Others	1.3	1.2	1.7	2.3

Source: TRAI

#### Top market share gainers and losers

(%)	% chg
<b>Gainers</b>	
Idea	0.6%
Uninor	0.5%
<b>Losers</b>	
RCOM	-1.2%
Aircel	-0.3%

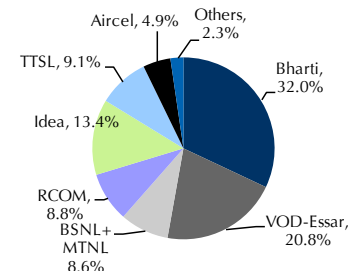
Source: TRAI

#### Idea AGR market share in new circles

(%)	Mar-10	Jun-10	Sep-10	Dec-10
Mumbai	3.2	3.9	3.9	4.5
Bihar	6.9	7.2	7.8	8.6
Orissa	1.9	1.9	2.0	2.0
T.N.	0.7	0.6	0.6	0.7
J&K	0.4	0.7	0.9	1.0
WB	1.0	1.4	1.7	2.2
Kolkata	1.2	1.3	1.6	1.8
Assam	0.5	0.8	1.0	1.2
N.E.	0.1	0.5	0.7	1.0

Source: TRAI

#### Overall AGR market share



Source: TRAI

In the interest of timeliness this report has not been edited.





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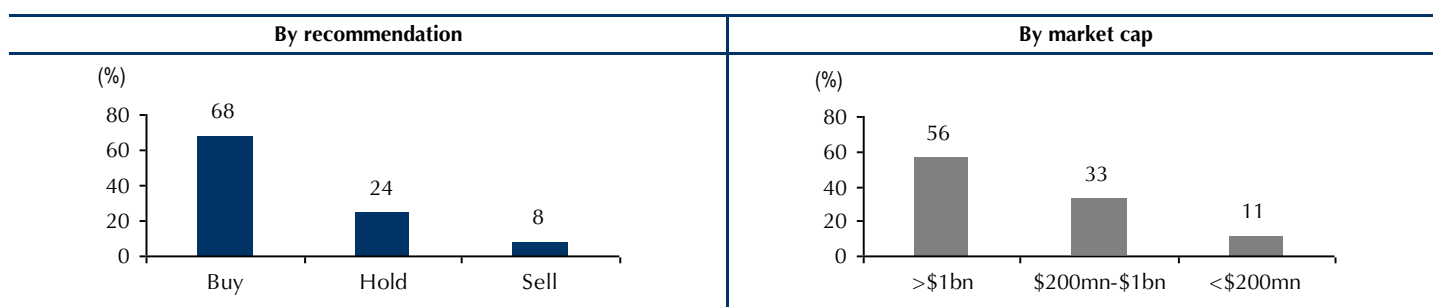
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