

Telecom

Top Pick

Bharti Airtel

Subscriber Watch

May '09

GSM net adds decline further; Airtel impresses

Reason for report: Monthly update

GSM net adds for May '09, excluding Reliance Communications (RCom), were at 8.3mn versus 9mn in March '09, mostly due to lower GSM net adds by Bharat Sanchar Nigam (BSNL) at 0.5mn versus 1mn in April '09 and 2.5mn in March '09. Bharti Airtel (BAL) continued to lead with 2.8mn net adds in May '09, while Vodafone Essar's net adds were lower at 2.5mn versus 2.8mn in April '09. Idea's net adds (including Spice) increased to 1.3mn (1.15mn in April '09), but Idea lost subscribers in Delhi for the second month in a row.

Airtel continues its impressive performance adding 1.1mn subscribers in May '09, partly driven by ~180,000 net adds in Delhi and Mumbai. High net adds share of Airtel in Delhi (42.3%) and Mumbai (29.6%), which are almost saturated markets and where subscribers are expected to be less price sensitive, is remarkable.

- ▶ **BAL's net adds of 2.8mn were the highest** with net add share at 33.9%, taking subscriber base to 99.5mn. Vodafone slightly lagged at 2.5mn net adds with net add share of 30.6%, taking subscriber base to 74.1mn. Vodafone continued to glean ~20% net adds share in most of the B-circles, where it launched services in FY09.
- ▶ **Idea's net adds improved to 1.3mn** from 1.15mn in April '09 and its net adds share rose to 15.6%. However, Idea's performance in the two metros was poor, mostly due to strong push by Airtel. Idea continued to lose subscribers in Delhi (30,654 loss in May and 48,465 in April), and its net adds in Mumbai declined to 30,376 (74,232 in April). Among other recently launched circles, Idea's net adds in Bihar were robust at 199,311 or 23.5% of the net adds (139,058 in March). Idea added 65,218 subscribers in Orissa (launched in April '09) and 6,066 in Tamil Nadu (launched in May '09).
- ▶ **Airtel added >1mn net adds for the third month in a row**, driven by better performance in recently launched circles, especially in highly competitive metro circles of Delhi & Mumbai. Airtel added 99,244 subscribers (42.3% of net add share) in Delhi where it had launched services in March '09 and added 79,335 subscribers in Mumbai (29.6% of net add share) where it launched services in April '09.
- ▶ **A & B circle net add share increased**, though absolute net adds decreased across all categories. B circle net adds increased to 38.3% and A circle net add share rose to 31.9% of the total GSM net adds (ex-RCom), while that for metros declined to 8.5%.
- ▶ **Competition to intensify with more launches & mobile number portability**, which is expected by year end. Tata Teleservices (TTSL) has announced the launch of its GSM services, *Tata DoCoMo* by end-June, starting with South India and then in West and North. MTS (earlier Shyam-Sistema) launched its CDMA services in Tamil Nadu and Kerala in April '09.

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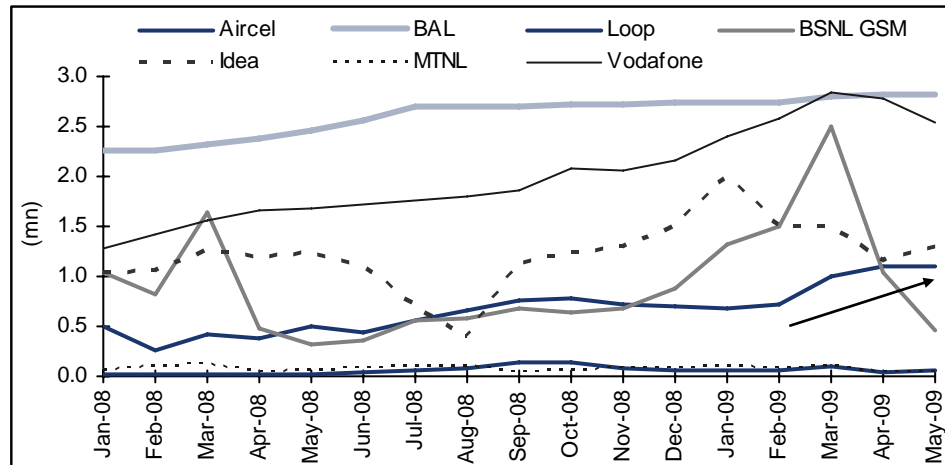
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I-Sec Telecom universe – Valuations

	CMP	Reco	(Rs)	EPS (Rs)			P/E (x)			EV/E (x)		
				FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
BAL	854	HOLD		44.7	55.5	65.7	19.1	15.4	13.0	11.1	9.5	7.9
RCom	347	SELL		28.3	22.3	22.1	12.3	15.5	15.7	10.0	8.6	7.4
Idea	87	HOLD		2.9	2.9	3.5	29.9	29.7	24.8	10.9	7.3	5.8

Please refer to important disclosures at the end of this report

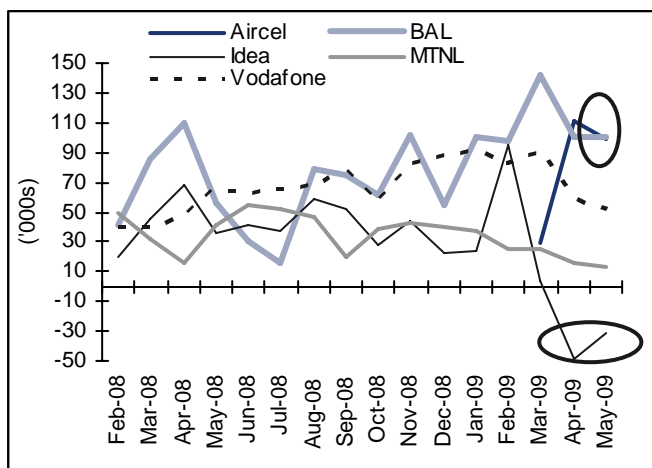
Chart 1: Net adds – Aircel's net adds impressive; BAL maintains steady run-rate

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

Source: COAI, I-Sec Research

Chart 2: Top two metros – Idea's loss, Aircel's gain

Delhi – Aircel in line with BAL in net adds share; Idea lost subscribers for two months in a row



Source: COAI, I-Sec Research

Mumbai – Aircel had the highest net adds in May '09; BAL's net adds marginalised in Mumbai

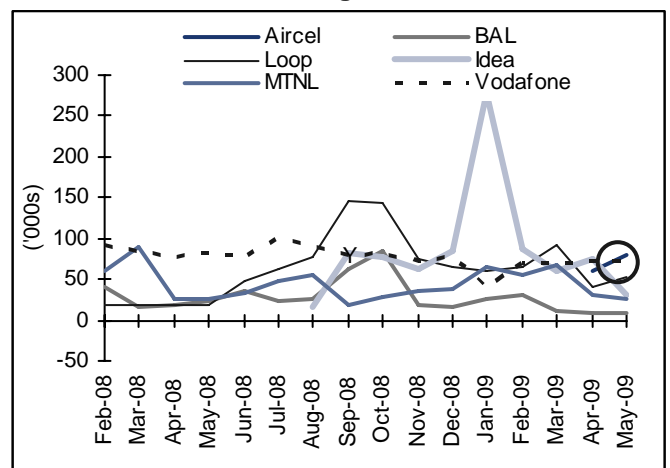
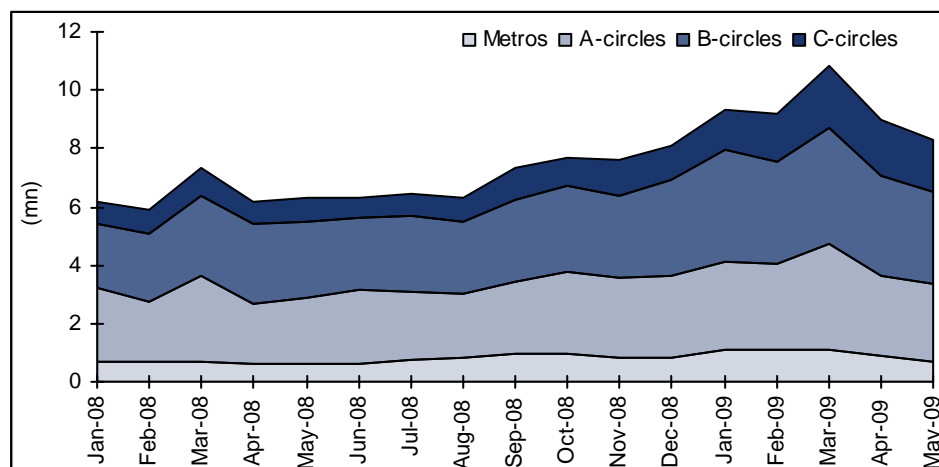
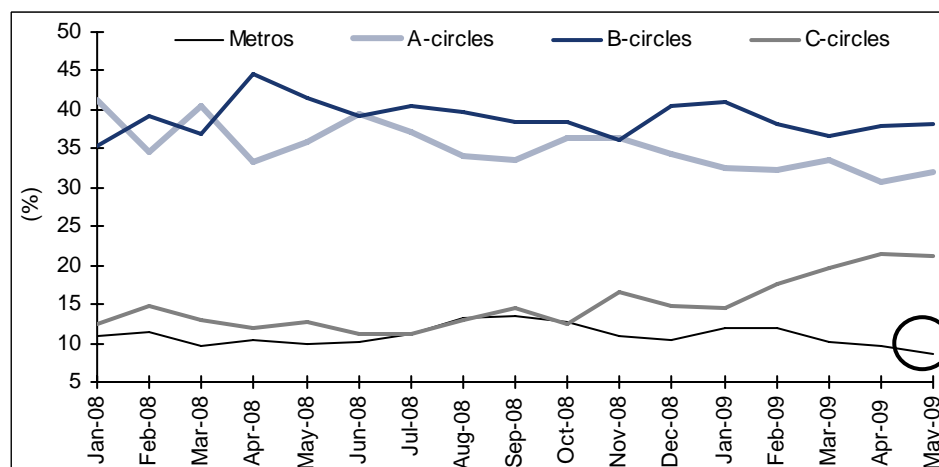


Chart 3: Net adds across all categories declined MoM

Source: COAI, I-Sec Research

Chart 4: Metro net adds share declined further; A-circle share improved

Source: COAI, I-Sec Research

Table 1: Net adds in recent circle launches

(mn)

Net adds	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Idea - Mumbai	78,167	63,191	83,621	278,380	87,343	60,844	74,232	30,376
Idea - Bihar	73,987	75,050	120,192	260,385	77,844	255,590	139,058	199,311
Idea - Orissa							35,019	65,218
Idea-TN								6,066
Vodafone - Assam	22,442	15,904	21,214	24,020	31,089	39,533	29,132	41,151
Vodafone - Bihar	26,167	50,182	100,215	151,880	272,731	170,368	277,205	202,583
Vodafone - HP			10,202	7,169	12,385	14,752	12,386	6,623
Vodafone - J&K						1,391	54,877	29,396
Vodafone - MP	5,013	25,200	55,016	90,108	80,145	101,031	89,334	88,717
Vodafone - North East	12,582	14,280	17,303	26,088	34,106	55,788	47,030	35,851
Vodafone - Orissa	35,234	41,385	44,373	51,431	51,627	96,381	100,623	90,877
Aircel - AP						33,258	53,092	70,887
Aircel - Delhi						28,798	111,212	99,244
Aircel - Karnataka					1,873	50,958	43,839	48,356
Aircel - Kerala					12,677	38,574	42,012	39,932
Aircel - Mumbai							61,292	79,335
Aircel - UP E						2,371	38,990	35,812
Aircel - UP W						218	31,479	46,661

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

Table 2: Net add share in recent circle launches

(%)

Net adds share	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Idea - Mumbai	18.7	24.0	29.6	59.2	28.4	20.3	25.8	11.3
Idea - Bihar	21.1	12.4	18.4	34.3	8.6	26.6	16.9	23.5
Idea - Orissa							9.4	17.9
Idea - TN								0.8
Vodafone - Assam	18.5	12.1	59.9	29.3	17.0	18.6	10.6	22.7
Vodafone - Bihar	7.5	8.3	15.4	20.0	30.3	17.7	33.7	23.9
Vodafone - HP	-	-	11.6	12.2	19.4	12.3	16.3	10.5
Vodafone - J&K	-	-	-	-	-	0.8	28.7	19.1
Vodafone - MP	1.5	8.9	11.7	17.4	17.7	19.5	18.3	20.2
Vodafone - North East	12.8	13.5	17.1	26.1	26.3	29.8	24.0	22.5
Vodafone - Orissa	14.3	19.8	19.4	25.3	21.1	20.6	26.9	24.9
Aircel - AP	-	-	-	-	-	5.5	6.7	9.5
Aircel - Delhi	-	-	-	-	-	10.0	46.9	42.3
Aircel - Karnataka	-	-	-	-	0.4	10.0	10.5	10.6
Aircel - Kerala	-	-	-	-	3.3	7.7	9.5	10.0
Aircel - Mumbai	-	-	-	-	-	-	21.3	29.6
Aircel - UP E	-	-	-	-	-	0.3	5.1	4.1
Aircel - UP W	-	-	-	-	-	0.0	8.1	14.4

Source: COAI, I-Sec Research

Aircel gained 42.3% net add share in Delhi and 29.6% in Mumbai

Table 3: GSM subscriber base

(mn)

GSM subscriber
base rose to
294.5mn (ex-RCom)

GSM subs	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Aircel	13.9	14.7	15.4	16.1	16.8	17.5	18.5	19.6	20.7
Bharti Airtel	77.5	80.2	82.9	85.7	88.4	91.1	93.9	96.7	99.5
BPL Mobile	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.2	2.3
BSNL GSM	39.2	39.8	40.5	41.4	42.7	44.2	46.7	47.7	48.2
Idea	34.0	35.2	36.5	38.0	40.0	41.5	43.0	44.2	45.5
MTNL GSM	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.2	4.3
RCom GSM*	9.2	9.6	10.0	10.4	10.7	11.1	11.6	11.6	11.6
Vodafone Essar	54.6	56.7	58.8	60.9	63.3	65.9	68.8	71.5	74.1
Total GSM subs	233.7	241.7	249.7	258.2	267.9	277.5	288.8	297.7	306.0
Total ex-RCom	224.5	232.1	239.8	247.9	257.2	266.4	277.2	286.2	294.5

Source: COAI, I-Sec Research, * RCom GSM only eight legacy circles, RCom GSM April '09 subscriber figures unavailable

Table 4: GSM net adds

(mn)

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

GSM net adds	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Aircel	0.8	0.8	0.7	0.7	0.7	0.7	1.0	1.1	1.1
Bharti Airtel	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8
BPL Mobile	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
BSNL GSM	0.7	0.6	0.7	0.9	1.3	1.5	2.5	1.0	0.5
Idea	1.1	1.2	1.3	1.5	2.0	1.5	1.5	1.2	1.3
MTNL GSM	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
RCom GSM*	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-
Vodafone Essar	1.9	2.1	2.1	2.2	2.4	2.6	2.8	2.8	2.5
Total GSM adds	7.7	8.1	8.0	8.5	9.7	9.6	11.3	9.4	8.3
Total ex-RCom	7.3	7.7	7.6	8.1	9.3	9.2	10.8	9.0	8.3

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

Table 5: GSM subs share

(%)

GSM subs	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Aircel	5.9	6.1	6.2	6.2	6.3	6.3	6.4	6.6	6.8
Bharti Airtel	33.2	33.2	33.2	33.2	33.0	32.8	32.5	32.5	32.5
BPL Mobile	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7
BSNL GSM	16.8	16.5	16.2	16.0	15.9	15.9	16.2	16.0	15.7
Idea	14.5	14.6	14.6	14.7	14.9	15.0	14.9	14.8	14.9
MTNL GSM	1.6	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4
RCom GSM*	3.9	4.0	4.0	4.0	4.0	4.0	4.0	3.9	3.8
Vodafone Essar	23.4	23.5	23.5	23.6	23.6	23.8	23.8	24.0	24.2
Total GSM subs	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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

(%)

GSM subs	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Aircel	10.3	10.2	9.4	8.6	7.4	7.8	9.2	12.3	13.3
Bharti Airtel	36.9	35.4	35.7	33.6	29.4	29.7	25.9	31.4	33.9
BPL Mobile	2.0	1.9	1.0	0.8	0.6	0.7	0.8	0.5	0.6
BSNL GSM	9.3	8.4	8.9	10.8	14.1	16.4	23.1	11.6	5.5
Idea	15.6	16.2	17.0	18.5	21.5	16.4	13.9	12.8	15.6
MTNL GSM	0.5	0.9	1.0	1.0	1.1	0.9	0.8	0.5	0.5
Vodafone Essar	25.5	27.1	27.0	26.7	25.9	28.1	26.3	30.9	30.6
Total ex-RCom	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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