

12th December 2006

Sector: Telecommunications

Not Rated

Stocks covered

Company	Symbol	Rating
Bharti	BHARTI@IN	Not Rated
MTNL	MTNL@IN	Not Rated
RcoVL	RCVL@IN	Not Rated
VSNL	VSNL@IN	Not Rated
BSNL	-	Not listed
Hutch	-	Not listed
Idea	-	Not listed
Tata Tele	-	Not listed

Sector Performance

(%)	1M	3M	6M	12M
Absolute	(0)	17	40	25
Rel. to Sensex	(1)	1	(1)	(21)

Source: Capitaline

Mobile operators	Subscriber base '000			Net additions '000		Share in net adds	
	Oct-06	Nov-06	% change	Oct-06	Nov-06	Oct-06	Nov-06
Bharti	28612	30262	5.8	1550	1651	23.34%	24.86%
BSNL	22054	22975	4.2	1118	921	16.82%	13.87%
Hutch + BPL	22316	23327	4.5	913	1011	13.75%	15.23%
Reliance	27232	28584	5.0	1253	1352	18.86%	20.36%
Idea	10980	11841	7.8	616	862	9.27%	12.98%
Tata Tele	9319	9786	5.0	884	467	13.30%	7.04%
MTNL	2326	2375	2.1	35	49	0.53%	0.74%
Others	6367	6693	5.1	274	326	4.13%	4.92%
Total	129205	135845	5.1	6644	6640	100.00%	100.00%

Source: COAI, AUSPI, Emkay Share

Mobile subscriber base grew by 6.64mn/ 5.1% for Nov 2006

- The mobile subscriber base increased by 5.1% m-o-m to 135.8mn for November 2006 as compared to 129.2mn in October 2006. The wireless telecom industry is showing no signs of slow down and has recorded a net addition of 6.64mn in November 2006.
- The GSM subscriber base increased by 5.3% m-o-m from 95.74mn in October 2006 to 100.79mn in November 2006 with a net addition of 5.04mn for the month.
- The CDMA subscriber base increased by 4.8% m-o-m from 33.46mn in October 2006 to 35.06mn in November 2006
- Bharti continued to outperform the industry with a share of 24.86% in the total net additions, adding 1.65mn subscribers followed by Reliance (GSM + CDMA), 20.36% share with an addition of 1.35mn during the month.
- Idea Cellular recorded the highest m-o-m growth of 7.8%, with a net addition of 0.86mn and a share of 13% in the total wireless net additions during the month of November 2006.
- Tata Teleservices has seen a sudden slow down with a net addition of 0.47mn as against an addition of 0.88mn in October 2006.
- On a YTD basis, the market-share increased for Bharti by 110bps to 22.28%, Idea Cellular by 75bps to 8.72%, and Tata Teleservices' by 195bps to 7.2% where as the market share decreased for Reliance Communications by 82bps to 21.04%, BSNL by 165bps to 18.56% and MTNL by 35bps to 1.75%.

Category	Subscriber base '000			Net additions '000		Share in net adds	
	Oct-06	Nov-06	% change	Oct-06	Nov-06	Oct-06	Nov-06
Metros	27097	27745	2.4	758	648	11.42%	9.77%
Category A	46113	48653	5.5	2515	2540	37.85%	38.26%
Category B	44662	47305	5.9	2662	2673	40.07%	40.26%
Category C	11334	12111	6.9	708	778	10.66%	11.72%
Total	129205	135815	5.1	6644	6640	100.00%	100.00%

Source: COAI, AUSPI, Emkay Share

- Category B circle reported the highest share of 40.26% in the total net additions followed by category A circles with 38.26% share.

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Sector News

Hutchison Essar to have pan India presence

Hutchison Essar, India's third-largest mobile operator has received the Lol from the DoT to offer services in the remaining 6 circles where the company does not have a presence. The 6 circles for which the company has received the Lol are North East, Himachal Pradesh, Bihar, Orissa, Assam, and Jammu and Kashmir. With the new circles in the kitty, Hutchison-Essar has become the fourth operator to have a pan India presence. Hutchison Essar expects to begin operations in these circles during 2007.

Idea receives Lol for Mumbai & Bihar circles

Idea Cellular has received Lol from the DoT for providing mobile services in Mumbai & Bihar circles. Idea has recently commenced its operations in Himachal Pradesh, Rajasthan and UP (east) circles. With the addition of Mumbai & Bihar, the company would now have operations in 13 out of the 23 circles. The services in the two circles are expected to be launched by mid 2007. The management of Idea Cellular said that it is open for sharing the passive infrastructure with the existing operators to enable faster rollout of services. Idea Cellular has also received a Lol for providing NLD services. We expect the entry of Idea and other players in newer circles to result in an increased competition leading to further fall in the tariffs.

British Telecom's application for long distance rejected

Global telecom major, British Telecom had applied for the NLD and ILD license in a 74:26 joint venture with Delhi based Jubilant group. This move of BT came after the global giant AT&T applied and secured the license to operate NLD & ILD services in India. DoT had rejected the application of BT for not having submitted the shareholder agreement and network rollout plan. Also the FIPB approval was in the name of British Global Communications instead of British Telecom India, the applicant. However, BT has reapplied for the license seeking a transfer of the FIPB approval.

Reliance Communication floats worlds largest tender

Reliance Communications has invited bids for the largest ever tender for the expansion of 90-100 million cellular lines amounting nearly \$7-8 billion. Out of the expansion project, 70-75 million lines are for GSM where the company expects to get the DoT nod for providing GSM services in the 21 circles and remaining 20-25 million lines are for CDMA services. The tender floated is the largest in the world beating the BSNL tender for 45.5 million GSM lines. We believe that the tender floated by Reliance Communications implies the confidence of the company management to get the approval by the DoT to provide GSM services on a pan India basis.

Idea Cellular files RHP to raise Rs 28.75bn through IPO

Idea Cellular has filed the Red herring Prospectus (RHP) to raise Rs 28.75bn (including a green shoe option for Rs 3.75bn) through the IPO to fund the expansion of mobile networks in newer circles, to fund the entry fee and capex for NLD services and to repay the preference capital. The number of shares and the price band for the issue has not yet been finalized. Idea Cellular had 11.84mn subscribers at the end of November 2006, with a market share of 8.72% of the mobile industry. The recent private placement, values the company at Rs144bn. The EV of the company with a debt of Rs 34.46bn comes to Rs178bn.

Company price Performance

Price performance		1 month (%)	3 month (%)	6 month (%)	12 month (%)
Bharti	Absolute	12	44	87	73
	Rel to sensex	11	28	46	27
MTNL	Absolute	(5)	(15)	(11)	(3)
	Rel to sensex	(6)	(31)	(53)	(50)
RCoVL	Absolute	10	37	108	NA
	Rel to sensex	9	21	66	NA
VSNL	Absolute	(13)	2	19	(2)
	Rel to sensex	(14)	(14)	(22)	(49)
Tata tele	Absolute	(8)	(9)	(2)	(40)
	Rel to sensex	(9)	(25)	(43)	(87)

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