Telecoms, Media & Technology
Diversified Telecoms
Equity – India

Indian telecoms

Vodafone dominates subscriber net adds in August; Bharti slips

- **Vodafone dominates net adds market share in August**
- **Bharti's net additions reflect a declining trend**
- **Several new operators roll-out services in August but this was not combined with marketing campaigns**

The GSM operators added 13.5m subscribers in August 2010 (vs. 11.5m in July) - Vodafone added the most subscribers with a net add of 2.3m and Idea's net adds for the month increased 6.7% to 1.9m , Uninor positively surprised with 2.2m net adds (vs. 0.8m last month) and Bharti continued with a declining trend, as its net adds were down 22% to 2m. We estimate the total subscriber additions for the month at 18.5m (including both GSM and CDMA). We suggest investors focus more on revenue market share than subscriber market share, given the rampant dual SIM phenomenon. Going forward, we estimate a slowdown in subscriber growth, given average penetration of 112% in urban centres and believe rural markets will account for the large portion of incremental subscriber growth.

Bharti witnessed a declining trend for the second consecutive month in August, as its average net adds in the past two months have dipped to 2.3m from a six month average of 2.8m. The company's net adds declined in nine circles, which constitute c43% of its subscribers and c48% of revenues. In our view, short term tariff pressures are possible particularly in these circles, if Bharti attempts to win back market share. We factor average net adds for Bharti at 2.4m for the September quarter and c2m for 3QFY11e, as the present trend is in line with our estimates. We highlight that Bharti is more focused on revenue/minute market share and its performance has been the best on minute's growth and last quarter it recorded a 100bps gain in revenue market share.

New operators rolled-out services in new circles. Aircel launched in three circles to complete its pan-India roll-out. Further Loop launched services in six new circles, Videocon launched in eight new markets (total 16 now) and S-Tel launched its services in North East during the month. We are not concerned by new rollouts as these may have been done just to fall in line with rollout obligations fixed by the regulator and not have been accompanied by any incremental marketing campaigns by these telcos.

Figure 1: Key GSM operators net adds market share

Operators	July net adds	August net adds	Change
Aircel	14%	12%	-2%
Bharti	23%	15%	-8%
BSNL+MTNL	11%	17%	7%
Idea	16%	15%	-1%
Vodafone	21%	17%	-4%
Videocon	7%	7%	-1%
Uninor	7%	16%	9%

Source: Cellular Operators Association of India (COAI)

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Figure 2: Bharti net adds dipping in last two months

	Net adds			Change (%)		Net adds contribution circle-wise (%)		
Circle	**Jun-10**	**Jul-10**	**Aug-10**	**Jul-10**	**Aug-10**	**Jul-10**	**Aug-10**	**Change**
Circle A								
Andhra Pradesh	297,963	244,187	150,663	-18%	-38%	9%	7%	-2%
Gujarat	29,828	4,843	185,149	-84%	3723%	0%	9%	9%
Karnataka	197,127	12,602	15,419	-94%	22%	0%	1%	0%
Maharashtra	89,516	326,892	91,240	265%	-72%	13%	4%	-8%
Tamil Nadu	243,470	127,550	123,177	-48%	-3%	5%	6%	1%
Total	**857,904**	**716,074**	**565,648**	**-17%**	**-21%**	**28%**	**28%**	**0%**
Circle B								
Haryana	4,720	5,613	16,031	19%	186%	0%	1%	1%
Kerala	16,260	40,436	89,523	149%	121%	2%	4%	3%
Madhya Pradesh	120,177	57,740	116,119	-52%	101%	2%	6%	3%
Punjab	28,521	101,472	120,019	256%	18%	4%	6%	2%
Rajasthan	49,181	40,781	112,005	-17%	175%	2%	6%	4%
U.P. (East)	418,029	233,576	250,595	-44%	7%	9%	12%	3%
U.P. (West)	227,622	257,376	120,493	13%	-53%	10%	6%	-4%
West Bengal	212,250	388,909	41,860	83%	-89%	15%	2%	-13%
Total	**1,076,760**	**1,125,903**	**866,645**	**5%**	**-23%**	**43%**	**43%**	**-1%**
Circle C								
Assam	42,773	32,496	37,691	-24%	16%	1%	2%	1%
Bihar	349,780	277,117	321,418	-21%	16%	11%	16%	5%
Himachal Pradesh	22,367	21,801	61,875	-3%	184%	1%	3%	2%
J&K	50,562	-172,761	-103,130	-442%	-40%	-7%	-5%	2%
North East	24,665	19,389	29,098	-21%	50%	1%	1%	1%
Orissa	204,529	224,944	36,968	10%	-84%	9%	2%	-7%
Total	**694,676**	**402,986**	**383,920**	**-42%**	**-5%**	**15%**	**19%**	**3%**
Metro								
Delhi	287,356	311,398	147,300	8%	-53%	12%	7%	-5%
Kolkata	29,710	22,619	50,004	-24%	121%	1%	2%	2%
Mumbai	54,290	21,501	16,889	-60%	-21%	1%	1%	0%
Total	**371,356**	**355,518**	**214,193**	**-4%**	**-40%**	**14%**	**11%**	**-3%**
Grand Total	**3,000,696**	**2,600,481**	**2,030,406**	**-13%**	**-22%**	**100%**	**100%**	

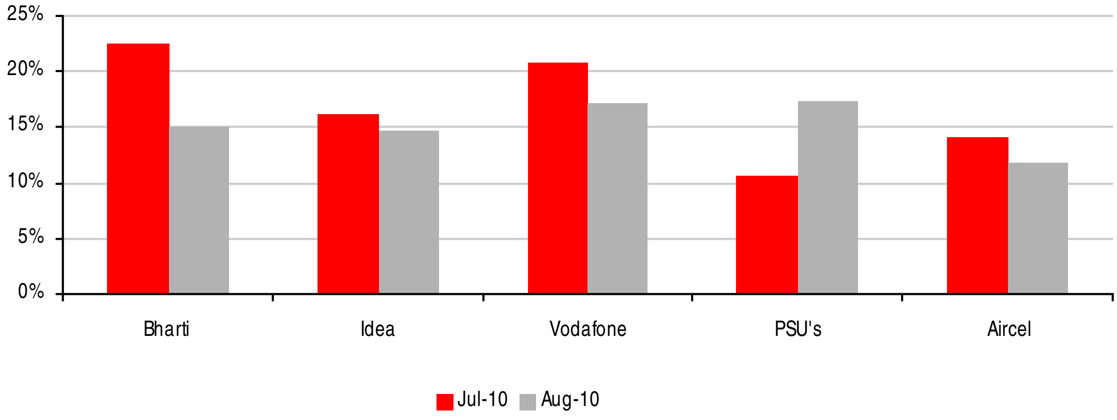
Source: COAI

Figure 3: Gainers in circles where Bharti's net adds declined

Circles	Top gainer	Second gainer	Third gainer
Andhra Pradesh	BSNL	Idea	Uninor
Maharashtra	Vodafone	Uninor	Idea
Tamil Nadu	Aircel	Vodafone	Videocon
U.P. (West)	Idea	Uninor	Bharti
West Bengal	Uninor	Vodafone	BSNL
J&K	BSNL	Aircel	Vodafone
Orissa	BSNL	Uninor	Idea
Delhi	Vodafone	Aircel	Idea
Mumbai	Uninor	Videocon	Aircel

Source: COAI (Gainers here is defined by the quantum of net adds in August by the operators)

Figure 4: Net adds market share



Source: COAI

Figure 5: Uninor net adds in last two months

	Net adds		Change (%)	Net adds contribution		
Circle	Jul-10	Aug-10	Aug-10	Jul-10	Aug-10	Change
Circle A						
Andhra Pradesh	1,605	148,629	9160%	0%	7%	7%
Gujarat	152,464	201,659	32%	18%	9%	-9%
Karnataka	27,790	125,691	352%	3%	6%	2%
Maharashtra	106,910	186,889	75%	13%	8%	-4%
Tamil Nadu	10,778	140,486	1203%	1%	6%	5%
Total	**299,547**	**803,354**	**168%**	**35%**	**36%**	**1%**
Circle B						
Kerala	-2,311	69,975	3128%	0%	3%	3%
U.P. (East)	75,083	267,693	257%	9%	12%	3%
U.P. (West)	109,922	216,058	97%	13%	10%	-3%
West Bengal	114,509	190,379	66%	13%	9%	-5%
Total	**297,203**	**744,105**	**150%**	**35%**	**34%**	**-1%**
Circle C						
Bihar	61,480	286,114	365%	7%	13%	6%
Orissa	4,786	96,623	1919%	1%	4%	4%
Total	**66,266**	**382,737**	**478%**	**8%**	**17%**	**9%**
Metro						
Kolkata	92,240	149,235	62%	11%	7%	-4%
Mumbai	94,887	140,733	48%	11%	6%	-5%
Total	**187,127**	**289,968**	**55%**	**22%**	**13%**	**-9%**
Grand Total	**850,143**	**2,220,164**	**161%**	**100%**	**100%**	

Source: COAI

Disclosure appendix

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