

Industry Flash

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Indian Wireless

Vodafone India Day - Key industry takeaways

- **Reaffirming faith** — We attended Vodafone India Investor Day held yesterday in London. Vodafone-Essar's operating management emphasized strong growth fundamentals and expects regulatory uncertainty to abate in due course. Some color on Indus Towerco reaffirms our view/assumptions.
- **Focus on Indus** — Vodafone expects average tenancy of 2.5 on Indus towers; existing towers of 70k will have lower tenancy than new towers. Expect rationalization of existing towers in second phase and eventual merger with Bharti Infratel a high possibility. Vodafone-Essar is already sharing two-thirds of its new sites with 42% of its existing 38k base stations shared. Given the focus of towerco on cost savings, we think transfer pricing will be fair to both sides. Management also hinted at value crystallization in Indus through a PE round shortly.
- **Deeper coverage will make new entry difficult** — While refusing to comment on the ongoing regulatory issues, it emphasized that incumbents enjoy a huge advantage in terms of reach and distribution. An entry strategy based on price cuts would be futile in their opinion. Management also expects 3G spectrum to be reserved for existing players providing some relief.
- **Dip in MOUs in September but recovering** — Management attributed a dip in MOUs in Sep-qtr to seasonality and has seen a pickup in Oct-Nov.
- **Capex intensity to ease post FY10** — Management guided for capex/sales of low teens by FY11/12 based on reducing coverage capex and likely active network sharing. India is also benefiting from lower 2G active capex vs. developed markets as the latter have not focused on negotiating lower rates given their declining 2G requirements.

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