

Vodafone going strong...

The GSM subscriber addition in March 2010 at 13.9 million was higher than the last month's addition of 13.0 million (ex-RCom and TTSL). The monthly additions are still higher than the last seven months average of 11.2 million subscribers. The subscriber growth was led by C and B circles, which have grown (MoM) by 4.5% and 3.8%, respectively. Vodafone led the addition in March 2010 by adding 3.6 million subscribers, highest subscribers among telcos, in the second consecutive month. Bharti added 3.0 million subscribers higher than its seven months average of 2.8 million. Idea's net adds stood at 1.7, lower than last month's net adds of 2.2 million as in February 2010. Aircel's net adds were at 2.0 million subscribers vs. 1.8 million in February 2010.

Airtel – Strong net adds

Airtel's net adds for March 2010 stood at 3.0 million vs. 2.9 million in the last month, highest ever net adds by the company. With this, total subscriber base at the end of March 2010 stands at 127.6 million. Share in net adds for the company declined to 23.2% as compared to 24.7% in the last month. Subscriber market share of Airtel was down to 31.5% in March 2010 vs. 31.8% in February 2010.

Idea – Net adds slip

Idea's net adds stood slightly lower than last month's subscriber addition. Its net adds stood at 1.7 million subscribers vs. 2.3 million in the last month. Net adds for the month were lower than its last seven months average of 1.8 million subscribers. Net additions in Bihar, Gujarat and West Bengal, dragged down the total net adds for March 2010. Share in net adds for Idea declined to 13.0% vs. 19.1% in February 2010.

Vodafone – Impressive performance

Vodafone added its highest ever net adds during March 2010. Its net adds stood at 3.6 million subscribers, highest among all telcos. Net additions grew 17.6% MoM. Subscriber addition was higher than last seven months average of 2.6 million subscribers. The share in total net adds stood at 28.0%, improving from 26.2% in the last month. Improvement in net adds can be attributed to strong performance in Gujarat, Andhra Pradesh, Haryana and Rajasthan.

Others

Airtel continued its steady growth and added 2.0 million subscribers, higher than last month's addition of 1.8 million subscribers. BSNL's net adds improved 60.2% MoM. It added 2.5 million vs. 1.5 million subscribers in the last month. Major additions for BSNL came from Rajasthan, AP, MP and Kolkata. Uninor added 0.7 million vs. 1.0 million in February '10 while S-Tel added 0.3 million subscribers against 0.2 million in the last month.

Exhibit 1: Performance Highlights

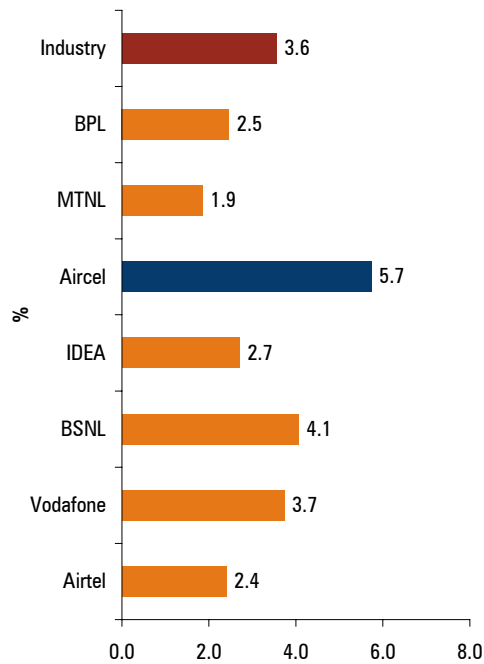
			EPS (Rs)			P/E (x)			EV/EBITDA (x)		
	CMP	TP	FY09	FY10E	FY11	FY09	FY10E	FY11E	FY09	FY10E	FY11E
Airtel	305	388	22.3	23.6	24.0	13.7	12.9	12.7	8.1	7.4	6.4
RCOM	169	165	29.3	19.8	16.2	5.8	8.6	10.4	7.3	8.3	7.4
Idea	67	61	2.8	2.5	2.9	23.7	27.2	23.0	9.1	7.9	7.0
TTML	24	20	(0.9)	(1.9)	(2.3)	(26.4)	(12.2)	(10.1)	16.0	15.5	14.7

Source: Company, ICICIdirect.com Research

Price performance...

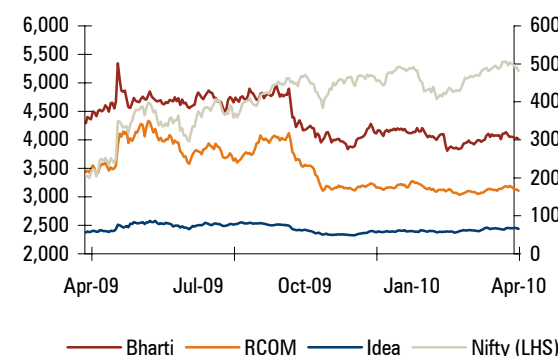
	1M	3M	6M	12M
Bharti Airtel	3.3	-7.0	-9.0	-4.0
RCOM	5.1	-27.9	-22.4	-11.9
Idea	7.9	6.4	27.6	13.2
Tata Tele	1.7	-26.9	-4.8	-18.2

Subscriber growth



Source: COAI, ICICIdirect.com Research
*Ex-Reliance Telecom and TTSL

Price movement (Stock vs. Nifty)



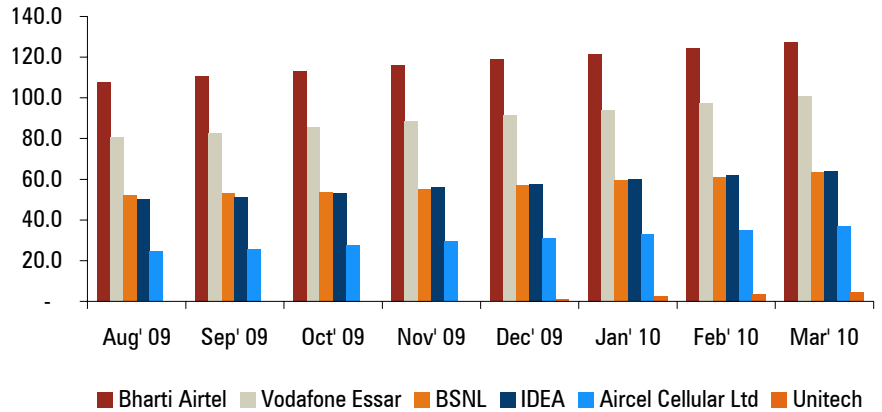
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Exhibit 2: Total GSM subscribers

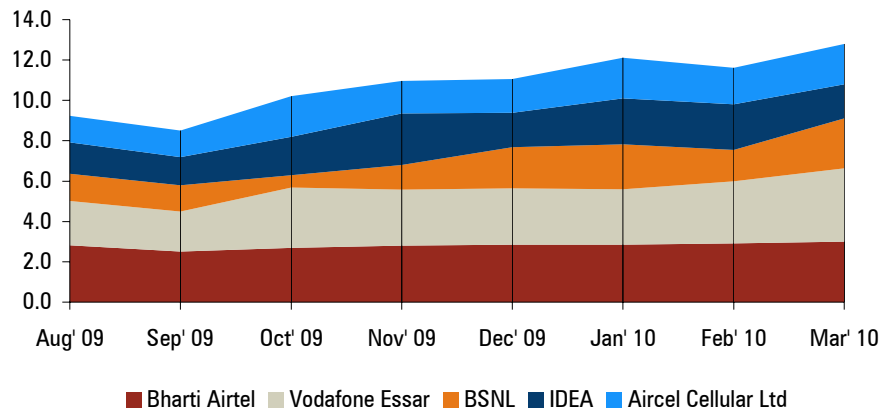
Total GSM net adds for March 2010 stood at 13.9 million, higher than net adds in the last month. The total GSM subscriber base stood at 405.5 million (Ex-Rcom and TTSL)



Source: Company, ICICIdirect.com Research

Exhibit 3: Subscriber net adds (Ex – Rcom and TTSL)

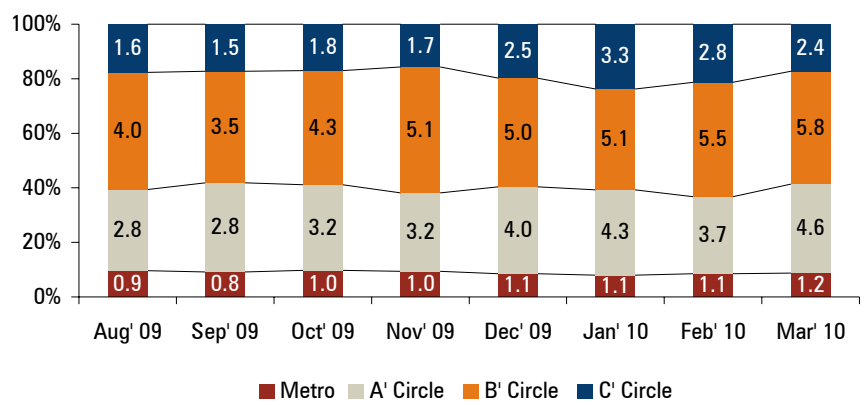
Vodafone added 3.6 million subscribers, highest among all telecom companies (telcos). Airtel added 3.0 million subscribers. BSNL reported net adds of 2.5 million subscribers, growing 60.2% MoM



Source: Company, ICICIdirect.com Research

Exhibit 4: Subscriber net adds (Ex – Rcom and TTSL)

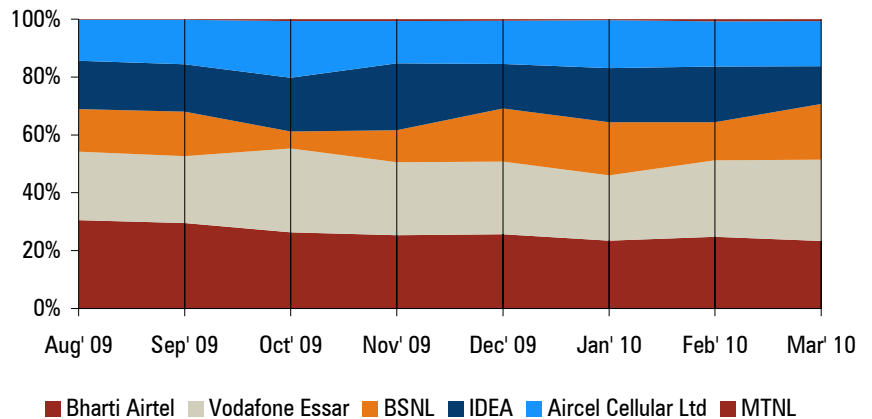
The B Circle added 5.8 million subscribers improving 6.0% MoM followed by Circle A, which added 4.6 million subscribers, growing 24.3% MoM



Source: Company, ICICIdirect.com Research

Exhibit 5: Operator wise share in net-adds

Share in net adds improved to 28.0% and 19.2% for Vodafone and BSNL against last month's share of 26.2% and 13.2%, respectively. However, the share for Bharti and IDEA declined to 23.2% and 13.0% in March '10 vs. 24.7% and 19.1% in February '10, respectively



Source: Company, ICICIdirect.com Research

Exhibit 6: Operator wise net-adds

Subscribers-net adds	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10
Bharti Airtel	2.8	2.5	2.7	2.8	2.9	2.9	2.9	3.0
Vodafone Essar	2.2	2.0	3.0	2.8	2.8	2.7	3.1	3.6
BSNL	1.4	1.3	0.6	1.2	2.0	2.2	1.5	2.5
IDEA	1.5	1.4	1.9	2.6	1.7	2.3	2.3	1.7
Aircel Cellular Ltd	1.3	1.3	2.0	1.6	1.7	2.0	1.8	2.0
Reliance Telecom	0.4	0.4	0.4	1.2	(15.8)	-	-	-
Unitech	-	-	-	-	1.2	1.3	1.0	0.7
SWAN	-	-	-	-	-	0.1	0.0	0.0
Total	9.3	8.6	10.3	11.1	12.5	13.9	13.0	13.9

Source: Company, ICICIdirect.com Research

Exhibit 7: Subscriber market share

Share in net adds	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10
Bharti Airtel	33.5	33.4	33.2	32.9	32.6	32.1	31.8	31.5
Vodafone Essar	25.1	25.0	25.2	25.2	25.1	24.9	24.8	24.9
BSNL	16.2	16.1	15.8	15.7	15.7	15.7	15.6	15.7
IDEA	15.5	15.6	15.6	15.9	15.8	15.8	15.9	15.7
Aircel Cellular Ltd	7.6	7.8	8.1	8.3	8.5	8.7	8.9	9.1
Reliance Telecom	4.3	4.3	4.3	4.5	-	-	-	-
Others*	2.1	2.1	2.0	2.0	2.3	2.7	3.0	3.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, ICICIdirect.com Research

Exhibit 8: Circle-wise subscribers

Circle	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10
Metro	44.3	45.1	46.1	47.2	48.2	49.3	50.5	51.7
A' Circle	116.1	118.9	122.2	125.4	129.4	133.7	137.4	141.9
B' Circle	121.5	125.0	129.3	134.5	139.4	144.6	150.0	155.8
C' Circle	40.2	41.7	43.4	45.2	47.7	51.0	53.7	56.1
Total	322.2	330.8	341.1	352.2	364.7	378.6	391.6	405.5

Source: Company, ICICIdirect.com Research

Recent events

▪ 3G Auction

By the seventh day of the 3G spectrum auction, the bid for all-India licence has seen a huge jump of 63% to Rs 5,710.36 crore over the base price, taking the total minimum revenue to Rs 22,841.44 crore.

Till now Delhi has emerged as the most valuable circle at a bid value of Rs 626.37 crore followed by the Mumbai circle at Rs 598.59 crore. Tamil Nadu logged in the third highest bid price of Rs 549.24 crore, followed by Gujarat that experienced negative demand at Rs 533.40 crore.

Himachal Pradesh, Bihar, Orissa, Assam, Northeast and Jammu & Kashmir continue to see negative demand at Rs 30 crore bid levels, except Bihar and North East where it was Rs 32.44 crore and Rs 30.30 crore, respectively.

▪ Cell companies may get up to 8 MHz of 2G spectrum free

The telecom regulator may rule that mobile phone companies are entitled to have up to 8 MHz of 2G wireless spectrum without any additional payment. With an assured 8 MHz of 2G spectrum at no additional cost, mobile phone companies such as Bharti Airtel, Vodafone Essar, Idea Cellular, Aircel, Reliance Communications or Tata DoCoMo are set to benefit immensely.

The 8 MHz threshold may also apply to new entrants like Loop, Etisalat, Datacom and Uninor that were given telecom license in early 2008. These new players hold 4.4 MHz of 2G airwaves that came with the licence.

▪ BSNL workers on indefinite strike from April 20

About 300,000 of BSNL's employees will go on an indefinite strike protesting the state-run firm's disinvestment plan. The employee unions are against the BSNL management's decision to accept the Sam Pitroda committee report, which has recommended a 30% divestment in the company and voluntary retirement for 100,000 employees.

▪ Government may compensate BSNL for 3G, wireless broadband outgo

The Centre may refund a significant portion of what BSNL will pay for both 3G and broadband wireless spectrum in a bid to stabilise the financials of the state-owned telco. If the refund option is unviable, the government may examine the possibility of permitting BSNL to defer payment for these airwaves until the telco completes its restructuring process. This will give BSNL a 24-month window to pay for the airwaves, unlike private operators which have only have a 10-day period to cough up the bid amount.

▪ India plans 4G mobile sale

India plans to hold an auction of ultra-high-speed fourth-generation (4G) mobile phone spectrum soon after completion of the 3G spectrum. The sale process for 4G, which will provide high-speed internet connections, according to Telecom Minister A Raja will begin as soon as operators roll out their 3G networks this year.

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