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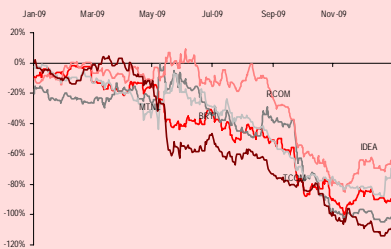
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**Indian Telcos - Valuation snapshot**

Company	BRTI	IDEA	TCOM	MTNL
Rating	Buy	Hold	Sell	Sell
B'berg Ticker	BHARTI IB	IDEA IB	TCOM IB	MTNL IB
Target Price (Rs)	360.0	51.0	UR	UR
CMP (Rs)	318.8	59.1	369.3	85.4
Upside/Downside	12.9%	-13.7%	NM	NM
	FY10E	FY10E	FY10E	FY10E
EBITDA Margin	40.8%	26.4%	14.9%	-4.8%
YoY Growth				
Revenue	6.8%	16.5%	14.0%	-13.6%
EBITDA	6.2%	10.0%	24.3%	NM
Net Profit	2.6%	-32.3%	NM	NM
EPS (Rs)	22.9	2.2	-9.1	-2.3
Target				
P/E	15.7	23.4	NM	NM
EV/EBITDA	9.2	7.5	13.0	NM
Current				
P/E	13.9	27.1	NM	NM
EV/EBITDA	8.2	8.3	12.6	NM

Source: Bloomberg, JM Financial

**12m Price Performance Relative to BSE Sensex**


Source: Bloomberg, JM Financial

13 January 2010

Sector Update

# Ringtones

**Industry view: CAUTIOUS**
**Dec-09 GSM Net Adds**

## GSM net adds rise to 12.5 mn as STel, Uninor debut; IDEA's net adds slump

(Note: For the purpose of this note and analysis, unless mentioned otherwise, GSM subs/net adds exclude subs/net adds of RCOM and TTSL)

- Dec-09 GSM net adds at 12.5 mn, up 13% MoM (CY09 monthly net adds avg. 9.7 mn):** Total GSM subs (incl. RCOM/TTSL subs as of Nov-09) stood at 415 mn as of Dec-09; net adds from B&C service areas rose 9% MoM to 7.5 mn to comprise 60% of overall net adds in Dec-09. Sequential growth was driven by BSNL (>2 mn net adds, up 66% MoM) and Uninor debuting with 1.2 mn net adds. Following a surprising 34% spike in Nov-09 net adds IDEA's (incl. Spice) net adds dropped by 33% to 1.7 mn in Dec-09 (Apr-Nov'09 avg. is 1.6 mn). BRTI, VOD and Aircel broadly posted flat net adds in Dec-09.
- IDEA's net adds 'see-sawed' 33% in past two months; Dec-09 net adds were 1.7mn (Apr-Dec'09 monthly avg. is 1.6 mn):** IDEA (incl. Spice) completed its nationwide presence by commencing services in the North East service area in Dec-09. Posting lower net adds in 14/22 service areas, net adds 'normalized' to 1.7 mn in Dec-09, down from 2.6 mn in Nov-09. We see an upside risk to our FY10E/11E/12E subs forecast for IDEA; on our current forecast, IDEA's implied monthly net adds for remainder of FY10 is 0.9 mn.
- BRTI's net adds rose ~2% MoM to 2.85 mn, marginally ahead of our forecast:** Despite lower net adds in 13/22 service areas, BRTI's overall net adds in Dec-09 rose marginally to 2.85 mn (Apr-Nov'09 avg. is 2.76 mn). BRTI posted record high net adds in Andhra Pradesh, Madhya Pradesh and UP (West), but lost subs for a second-consecutive month in J&K, potentially on account of disconnection of prepaid mobiles in the state. On our current FY10E subs forecast, BRTI's implied monthly net adds for remainder of FY10 is 2.7 mn.
- BSNL's net adds up 66% MoM to exceed 2 mn; MTNL's net adds slip 22% MoM to 57k:** BSNL posted higher net adds in 17/20 service areas; at 2.04 mn, Dec-09 net adds were its highest in FY10. MTNL's net adds dropped to 57k largely on slower subs accretion in Delhi. On our FY10E subs forecast, MTNL's implied monthly GSM net adds for remainder of FY10 is 24k, suggesting an upside risk to our estimates.
- Uninor secures 1.2 mn subs on debut (17% of net adds in its 8 service areas):** Excluding Orissa (where services were launched on Dec-22), Uninor captured 18% of the net adds in its 7 operational service areas. STel captured 7% of net adds in the three service areas where it launched services in late Dec-09.

**Exhibit 1: India Telcos – GSM net adds and implied run-rate for FY10**

Implied monthly net adds for remainder of FY10 for BRTI/IDEA is 2.7mn/0.9mn

('000)	Subs Dec-09	Monthly Net Adds		Subs forecast		Implied Net Adds	
		1-mth	3-mth avg.	Mar-10	Mar-11	FY10 *	FY11E
Bharti	118,864	2,850	2,784	126,834	154,348	2,657	2,293
Vodafone	91,402	2,794	2,852	97,650	122,282	2,083	2,053
Idea	57,612	1,707	2,052	60,290	76,751	893	1,372
MTNL	4,565	57	65	4,637	5,137	24	42

\* Implied monthly Net Adds is for Jan-09 to Mar-10

Source: COAI, TRAI, JM Financial

**Exhibit 2: India Telcos – GSM subscriber snapshot**

Ex RCOM/TTSL, net adds in Dec-09 rose ~13% MoM; BSNL leads growth, IDEA's net adds drop sharply after a spike in Nov-09

	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09*
<b>Subs ('000)</b>													
Bharti	85,651	88,383	91,115	93,923	96,735	99,549	102,368	105,178	107,997	110,511	113,214	116,014	118,864
Vodafone	60,933	63,340	65,921	68,769	71,542	74,081	76,450	78,680	80,874	82,846	85,826	88,608	91,402
BSNL	41,362	42,673	44,181	46,684	47,724	48,177	49,074	50,700	52,056	53,359	53,962	55,187	57,223
Idea	34,211	36,064	37,470	38,889	40,003	41,243	42,769	44,134	45,571	46,758	48,451	50,722	52,264
RCOM	10,354	14,511	17,413	20,016	21,699	23,559	25,426	27,511	29,278	30,936	32,705	35,156	-
Aircel	16,076	16,762	17,477	18,478	19,585	20,686	21,799	23,102	24,416	25,729	27,747	29,354	31,024
TTSL	-	-	-	-	-	-	-	1,981	5,250	8,852	12,450	15,594	-
Spice	3,802	3,952	4,049	4,133	4,172	4,235	4,320	4,383	4,488	4,696	4,904	5,184	5,348
MTNL	3,900	4,004	4,085	4,177	4,222	4,260	4,297	4,333	4,353	4,370	4,435	4,508	4,565
Loop	1,948	2,007	2,073	2,164	2,205	2,257	2,306	2,351	2,417	2,495	2,545	2,595	2,650
Uninor													1,208
STel													141
<b>Total</b>	<b>258,236</b>	<b>271,696</b>	<b>283,783</b>	<b>297,234</b>	<b>307,886</b>	<b>318,047</b>	<b>328,808</b>	<b>342,352</b>	<b>356,700</b>	<b>370,552</b>	<b>386,239</b>	<b>402,923</b>	<b>364,690</b>
<b>Market Share</b>													
Bharti	33.2%	32.5%	32.1%	31.6%	31.4%	31.3%	31.1%	30.7%	30.3%	29.8%	29.3%	28.8%	
Vodafone	23.6%	23.3%	23.2%	23.1%	23.2%	23.3%	23.3%	23.0%	22.7%	22.4%	22.2%	22.0%	
BSNL	16.0%	15.7%	15.6%	15.7%	15.5%	15.1%	14.9%	14.8%	14.6%	14.4%	14.0%	13.7%	
Idea	13.2%	13.3%	13.2%	13.1%	13.0%	13.0%	13.0%	12.9%	12.8%	12.6%	12.5%	12.6%	
RCOM	4.0%	5.3%	6.1%	6.7%	7.0%	7.4%	7.7%	8.0%	8.2%	8.3%	8.5%	8.7%	
Aircel	6.2%	6.2%	6.2%	6.2%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	7.2%	7.3%	
TTSL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	1.5%	2.4%	3.2%	3.9%	
Spice	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	
MTNL	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.2%	1.2%	1.1%	1.1%	
Loop	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	
<b>Net Adds ('000)</b>													
Bharti	2,730	2,732	2,732	2,808	2,812	2,814	2,819	2,810	2,819	2,515	2,702	2,800	2,850
Vodafone	2,169	2,407	2,581	2,848	2,773	2,539	2,369	2,231	2,194	1,972	2,980	2,781	2,794
BSNL	874	1,312	1,508	2,503	1,040	454	897	1,626	1,356	1,303	603	1,225	2,037
Idea	1,401	1,853	1,406	1,419	1,113	1,241	1,526	1,365	1,437	1,187	1,692	2,271	1,543
RCOM	390	4,157	2,902	2,602	1,684	1,860	1,868	2,085	1,767	1,658	1,769	2,452	-
Aircel	701	686	715	1,001	1,107	1,100	1,113	1,303	1,314	1,313	2,018	1,608	1,670
TTSL	-	-	-	-	-	-	-	1,981	3,269	3,602	3,598	3,145	-
Spice	96	150	96	85	38	63	85	63	105	209	208	279	164
MTNL	79	104	81	92	46	38	37	35	20	17	66	73	57
Loop	65	60	66	91	40	52	49	45	67	78	50	50	54
Uninor													1,208
STel													141
<b>Total</b>	<b>8,505</b>	<b>13,460</b>	<b>12,087</b>	<b>13,451</b>	<b>10,652</b>	<b>10,161</b>	<b>10,761</b>	<b>13,543</b>	<b>14,348</b>	<b>13,852</b>	<b>15,687</b>	<b>16,684</b>	<b>12,518</b>
<b>Net Adds Share</b>													
Bharti	32.1%	20.3%	22.6%	20.9%	26.4%	27.7%	26.2%	20.7%	19.6%	18.2%	17.2%	16.8%	
Vodafone	25.5%	17.9%	21.4%	21.2%	26.0%	25.0%	22.0%	16.5%	15.3%	14.2%	19.0%	16.7%	
BSNL	10.3%	9.7%	12.5%	18.6%	9.8%	4.5%	8.3%	12.0%	9.5%	9.4%	3.8%	7.3%	
Idea	16.5%	13.8%	11.6%	10.6%	10.5%	12.2%	14.2%	10.1%	10.0%	8.6%	10.8%	13.6%	
RCOM	4.6%	30.9%	24.0%	19.3%	15.8%	18.3%	17.4%	15.4%	12.3%	12.0%	11.3%	14.7%	
Aircel	8.2%	5.1%	5.9%	7.4%	10.4%	10.8%	10.3%	9.6%	9.2%	9.5%	12.9%	9.6%	
TTSL	-	-	-	-	-	-	-	14.6%	22.8%	26.0%	22.9%	18.8%	
Spice	1.1%	1.1%	0.8%	0.6%	0.4%	0.6%	0.8%	0.5%	0.7%	1.5%	1.3%	1.7%	
MTNL	0.9%	0.8%	0.7%	0.7%	0.4%	0.4%	0.3%	0.3%	0.1%	0.1%	0.4%	0.4%	
Loop	0.8%	0.4%	0.5%	0.7%	0.4%	0.5%	0.5%	0.3%	0.5%	0.6%	0.3%	0.3%	

\*RCOM & TTSL are yet to report the subscribers data, therefore Market Share and Share of Net Adds have not been calculated

Source: COAI, TRAI, JM Financial

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## JM Financial Institutional Securities Private Limited

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