Telecommunication Services

Revenue growth strong, however net adds slip further

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- **Strong wireless adjusted gross revenues (AGR) growth:** Industry wide wireless AGR and GR grew by 6.3% and 4.8% QoQ in 1QFY11 to Rs240bn/Rs332bn respectively. Bharti reported strong GR/AGR growth of 6.2%/7.7% QoQ driven by strength in Metros as they recaptured some of the lost revenue share. Idea's GR/AGR grew by 6.9%/7.5% QoQ, while Vodafone GR/AGR grew by 6.5%/6.2% QoQ. In terms of AGR share Bharti gained 40bps while RCOM and BSNL lost 40/60bps.
- **Broadbased growth seen across geographies:** The growth was broadbased across geographies with Metros, A, B and C circles seeing AGR growth of 6.2%/7.4%/5%/6.9% respectively. We note that Metros saw a rebound after a drop last quarter (-2.5% QoQ) driven primarily by Bharti, which recovered most of their AGR share in Delhi (up 5.6% QoQ). Within Idea's new circles, they saw pickup in Mumbai (mkt share up 100bps), but saw muted gains in other new circles.
- **GSM net adds fell another 11% MoM to 7.6mn:** GSM players added 7.6mn subscribers in July' 11, down 11% MoM. Incumbents continued to see MoM declines as Bharti/Vodafone/Idea had declines of 29%/29%/26% respectively to 1.5mn / 1.5mn/1mn respectively. BSNL however saw net adds improve to 1.8mn up 110% MoM, while Uninor saw net adds improve by 12% MoM to 1mn.
- **Circle dynamics – *B* and *C* circles see sustained net adds weakness:** We note that large part of the decline in subscriber additions over the past 4 months has been driven by slower net adds in B and C circles. Additions in B circles have fallen to 2.6mn from the run rate of 6-6.5mn in Jan-Mar'11, while in C circles have fallen from 2-2.4mn to 1.3mn now. While this maybe attributed to seasonal factors, we believe operators are now focussing on value customers, which might have had an impact in terms of their foray into rural India where incremental ARPU is very low.
- **View:** Overall a good quarter from the Indian telcos in terms of revenue growth, with incumbents including Bharti gaining revenue market share. We continue to believe that stronger incumbents will continue to gain/hold onto their revenue market share at the expense of weaker operators such RCOM and BSNL. However rapidly weakening subscriber growth, possibly due to focus on value customers, could mean that pricing could play a role in further growth. As such we continue to maintain our positive stance on the sector given the easing competitive intensity and improving pricing environment.

India Telecom: GSM subscriber data

Total subs ('000)	Jul-11	Jun-11	M/M change	Jul-10	Y/Y change
Bharti	170,697	169,186	0.9%	139,221	22.6%
Vodafone	143,011	141,520	1.1%	111,465	28.3%
BSNL	90,234	88,461	2.0%	68,066	32.6%
Idea*	96,111	95,109	1.1%	70,749	35.8%
Aircel	58,589	57,981	1.0%	43,297	35.3%
Uninor	27,389	26,330	4.0%	6,874	298.5%
Total	**606,420**	**598,780**	**1.3%**	**451,797**	**34.2%**
Net adds	**7,640**	**8,581**	**-11.0%**	**11,522**	**-33.7%**

Source: COAI, RCML Research   ** Includes Spice subscribers*

Wireless AGR (Geographical split)

Rs mn	Jun-11	Mar-11	Jun-10	Q/Q	Y/Y
Metros	39,112	36,823	36,750	6.2%	6.4%
A circle	90,092	83,908	81,080	7.4%	11.1%
B circle	81,231	77,344	71,468	5.0%	13.7%
C circle	29,154	27,282	25,370	6.9%	14.9%
Total	**239,589**	**225,357**	**214,668**	6.3%	11.6%

Source: TRAI

AGR market share trend

	Sep-10	Dec-10	Mar-11	Jun-11
Bharti	32.2%	32.0%	31.1%	31.6%
Vodafone	20.6%	20.8%	21.2%	21.1%
BSNL	8.7%	8.7%	8.8%	8.3%
RCOM	10.0%	8.8%	8.2%	7.8%
Idea	12.9%	13.4%	13.9%	14.0%
TTSL	8.8%	9.0%	9.4%	9.2%
Aircel	5.1%	4.9%	4.8%	4.8%

Source: TRAI

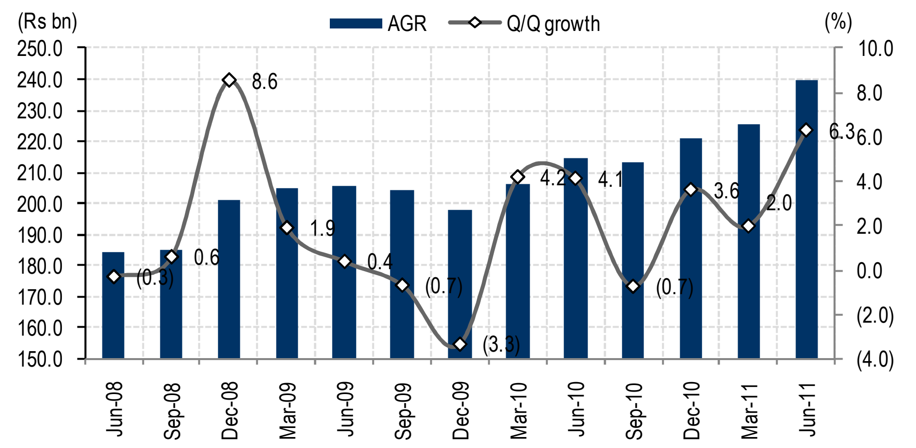
India Telecom: GSM net adds summary

Net Adds ('000)	Jul-11	Jun-11	M/M
Bharti	**1,510**	**2,121**	**-29%**
Vodafone	1,491	2,093	-29%
BSNL	1,773	843	110%
Idea*	1,003	1,354	-26%
Aircel	609	919	-34%
Uninor	1,058	944	12%
Total	**7,640**	**8,581**	**-11%**

Source: COAI, RCML Research   **Includes Spice subscribers*

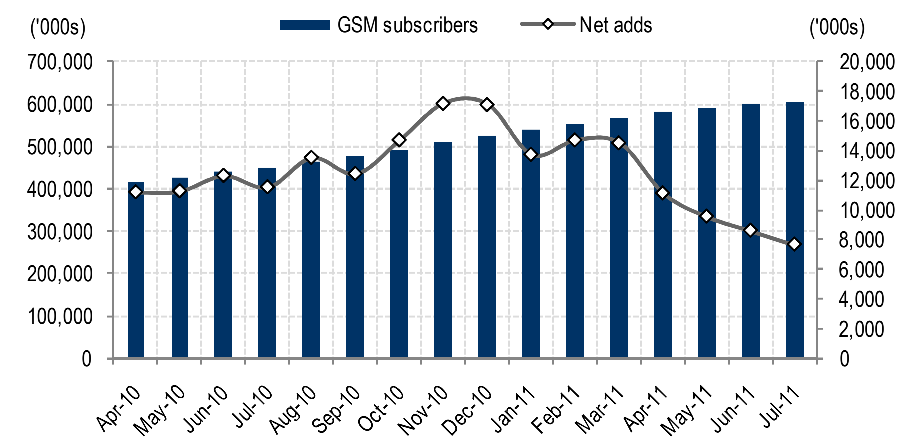
In the interest of timeliness this report has not been edited.

Fig 1 - Wireless AGR trend



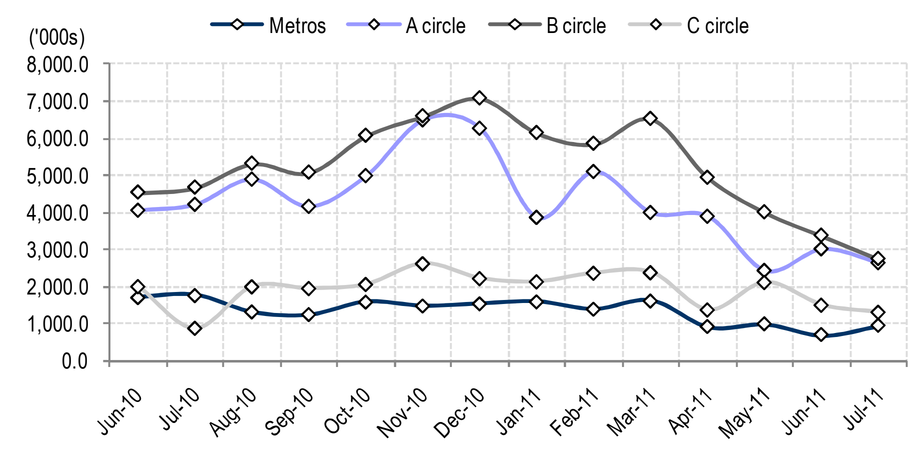
Source: TRAI, RCML Research

Fig 2 - GSM net adds trend



Source: COAI, RCML Research

Fig 3 - Circlewise net adds breakdown



Source: COAI

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