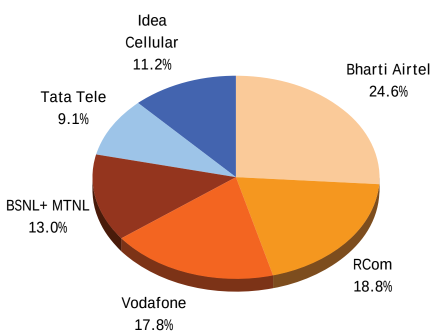
Telepedia

Subscriber net addition growth @ 60% YoY

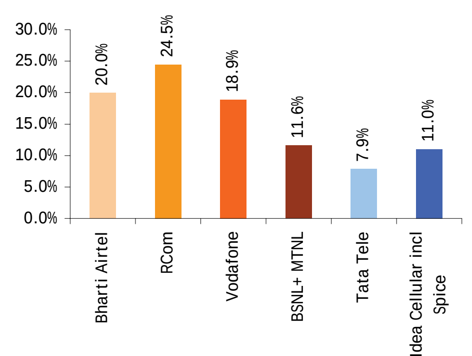
Sector Update

March 18, 2009

Subscriber Market Share (Feb 2009)



Market share of net additions for Feb 2009



Source: AUSPI, COAI

- **Subscriber addition buoyancy continues:** Subscriber net additions continued on a strong note. Telecos garnered ~13.7m subscribers in February 2009 - a growth of 60% YoY and -11% MoM. Telcos have added ~29m subscribers in the first two months of CY2009, post Reliance Communication's (RCom's) GSM launch.

- **RCom's net additions at ~3.4m for February 2009:** RCom added ~3.4m subscribers (CDMA+GSM) for the month. An attractive offer of Rs50 per SIM card (with free talk time worth Rs4 everyday for 365 days), resulted in strong net additions. The strong subscriber net additions demonstrate that a lot of potential/existing customers are deal seekers and are lured by attractive freebies.

  Though the subscriber split between RCom's CDMA and GSM is not available, GSM numbers appear to be strong in AP, Maharashtra, UP (West), Tamil Nadu and Haryana.

- **Bharti Airtel's (Bharti's) steady performance continues:** Bharti added ~2.73m subscribers in February 2009, implying a market share of ~20% of subscriber net additions. Significantly, it forms ~31% revenue market share, indicating a superior subscriber profile.

- **Vodafone Essar (Vodafone) maintained its strong No. 3 position in net additions:** Vodafone added ~2.6m subscribers, up 83% YoY and 7.2% MoM – one of the fastest growths among telcos in the last one year.

- **Idea Cellular (Idea) added 1.5m subscribers *v/s* 2m in Jan 2009:** Idea's net additions drifted downwards to 1.5m subscribers for the month, after clogging the 2m mark in January 2009. Net additions for the month were still the highest amongst operators in MP, Kerala and Mumbai circles. Some slowdown was seen in the A circles, where RCom has shown strong net additions.

Telecom subscribers-Snapshot **(in m)**

Operators	Feb-09	*Net Add.*	Jan-09	*Net Add.*	*MoM gr.*	Feb-08	*Net Add.*	*YoY gr.*
Bharti Airtel	91.1	2.73	88.4	2.73	0.0%	59.7	2.25	21.3%
Reliance Communication	69.6	3.35	66.3	4.95	-32.4%	44.2	1.61	107.5%
Vodafone Essar	65.9	2.58	63.3	2.41	7.2%	42.6	1.41	82.8%
BSNL+ MTNL	48.3	1.59	46.7	1.42	12.2%	37.7	0.93	70.3%
Tata Teleservices	33.9	1.08	32.8	1.05	2.9%	23.4	0.86	24.9%
Idea Cellular inc Spice	41.5	1.50	40.0	2.00	-25.0%	27.0	1.06	41.7%

Source: Auspi, COAI

Sector valuations

	CMP (Rs)	Rating	EPS (Rs)			EPS CAGR 08-10 (%)	PER (x)			EV/EBITDA (x)		
			FY09E	FY10E	FY11E		FY09E	FY10E	FY11E	FY09E	FY10E	FY11E
Bharti Airtel	571	Acc	44.3	51.3	56.6	13.1	12.9	11.1	10.1	7.5	6.3	5.3
Reliance Comm.	158	Acc	28.1	27.1	27.8	(0.4)	5.6	5.8	5.7	6.1	5.2	4.6
Idea Cellular	45	Reduce	2.5	2.4	3.5	18.0	18.1	18.3	13.0	7.6	8.1	6.5

(Prices as on March 17, 2009)

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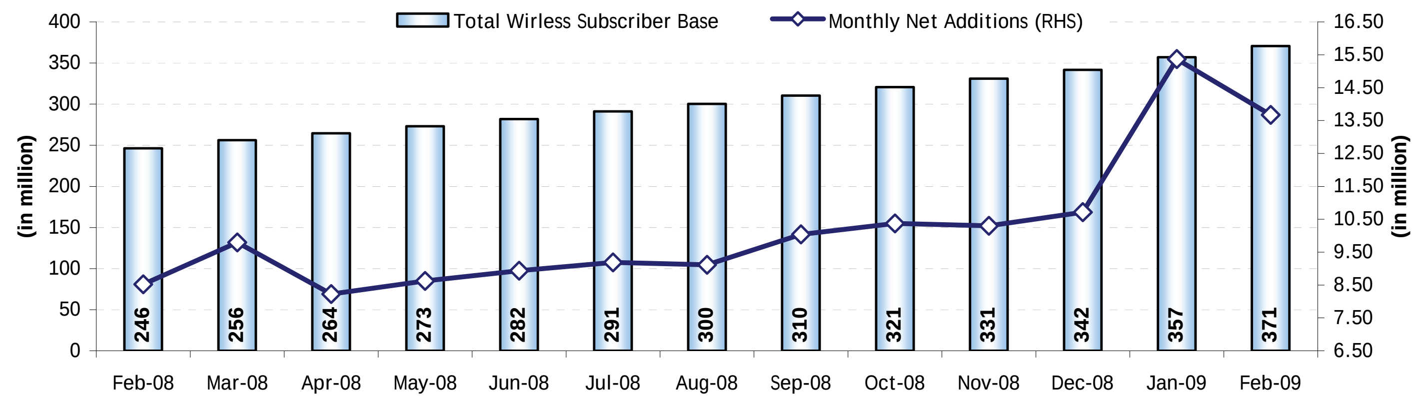
Operator-wise subscriber trends- BSNL & Tata Tele lacking the industry growth trends **(in m)**

	May-08	Jun-08	Jul-08	Aug-08	Sept-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	CMGR
Bharti Airtel	66.8	69.4	72.1	74.8	77.5	80.2	82.9	85.7	88.4	91.1	3.6%
RCom	49.0	50.8	52.5	54.3	56.0	57.8	59.6	61.3	66.3	69.6	3.9%
Vodafone	47.5	49.2	51.0	52.8	54.6	56.7	58.8	60.9	63.3	65.9	3.7%
BSNL+ MTNL	40.3	40.8	41.5	42.1	42.8	43.6	44.3	45.3	46.7	48.3	2.1%
Tata Tele	25.5	26.3	27.3	28.4	29.3	30.3	31.0	31.7	32.8	33.9	3.1%
Idea Cellular	30.6	31.7	32.4	32.8	34.0	35.2	36.5	38.0	40.0	41.5	3.7%
Total Subs	**273**	**282**	**291**	**300**	**310**	**321**	**331**	**342**	**357**	**371**	3.5%

Source: Auspi, COAI

Subscriber net additions buoyed by RCom's GSM launch



Source: Auspi, COAI

Market share operator-wise end of period : Bharti way ahead of others

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Bharti Airtel	24.3%	24.5%	24.6%	24.8%	24.9%	25.0%	25.0%	25.1%	25.1%	24.8%	24.6%
RCom	17.9%	18.0%	18.0%	18.0%	18.1%	18.1%	18.0%	18.0%	18.0%	18.6%	18.8%
Vodafone Essar	17.3%	17.4%	17.4%	17.5%	17.6%	17.6%	17.7%	17.8%	17.8%	17.7%	17.8%
BSNL+ MTNL	15.1%	14.8%	14.5%	14.2%	14.0%	13.8%	13.6%	13.4%	13.2%	13.1%	13.0%
Tata Tele	9.4%	9.3%	9.3%	9.4%	9.4%	9.5%	9.4%	9.4%	9.3%	9.2%	9.1%
Idea Cellular	11.1%	11.2%	11.3%	11.1%	10.9%	10.9%	11.0%	11.0%	11.1%	11.2%	11.2%

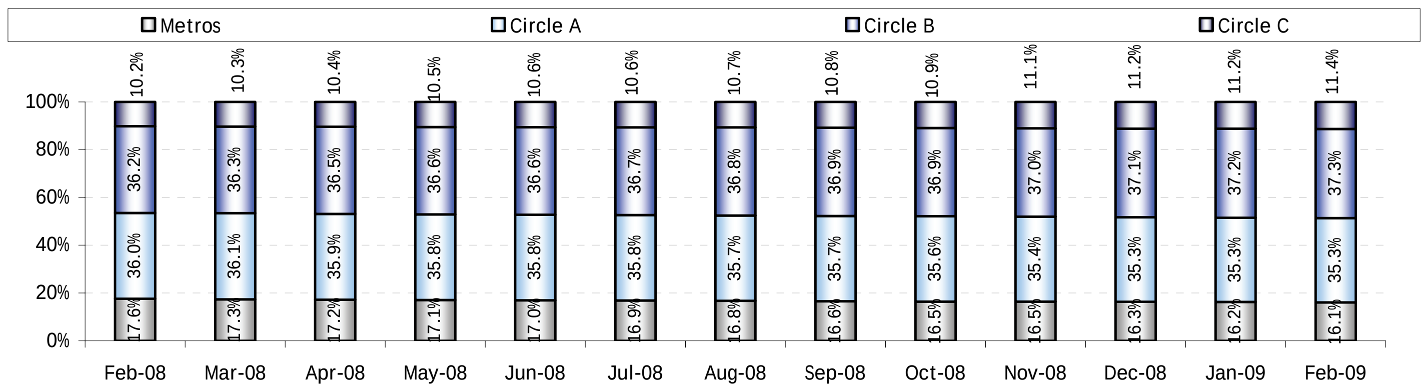
Source: Auspi, COAI

Market share operator-wise net addition : RCom's market share of net additions almost doubled post GSM launch

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Bharti Airtel	29.0%	28.5%	28.6%	29.3%	29.6%	26.9%	26.0%	26.4%	25.5%	17.8%	20.0%
RCom	19.7%	18.9%	19.5%	19.0%	19.2%	17.5%	16.8%	17.1%	16.6%	32.2%	24.5%
Vodafone Essar	20.1%	19.6%	19.3%	19.1%	19.8%	18.6%	19.9%	20.0%	20.2%	15.7%	18.9%
BSNL+ MTNL	6.3%	4.4%	5.1%	7.1%	7.4%	7.1%	7.0%	7.1%	8.9%	9.2%	11.6%
Tata Tele	5.4%	8.1%	9.6%	10.9%	11.5%	9.6%	8.8%	8.3%	6.8%	6.8%	7.9%
Idea Cellular	14.5%	14.3%	12.4%	7.7%	4.3%	11.3%	11.9%	12.6%	14.0%	13.0%	11.0%

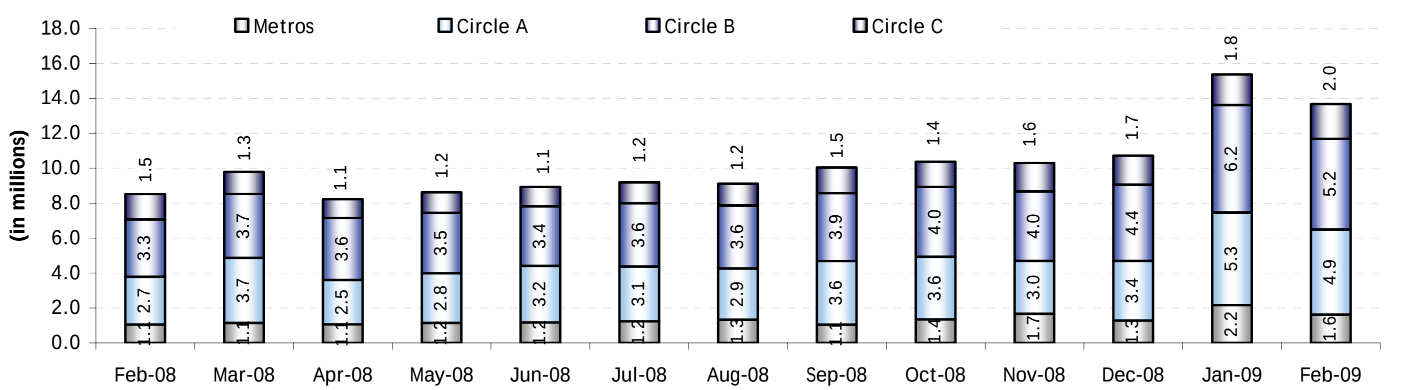
Source: Auspi, COAI, PL Research

Subscriber distribution by geography



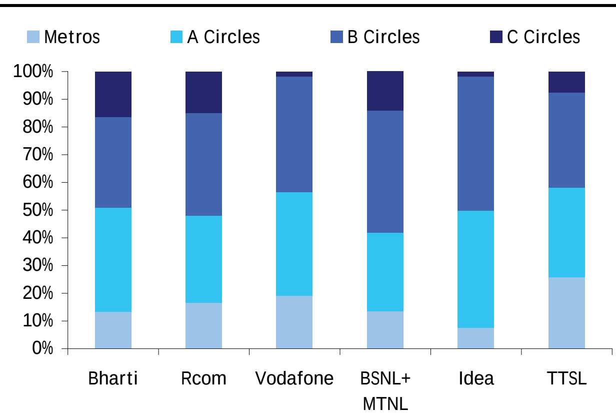
Source: Auspi, COAI, PL Research

Subscriber distribution of net additions by geography

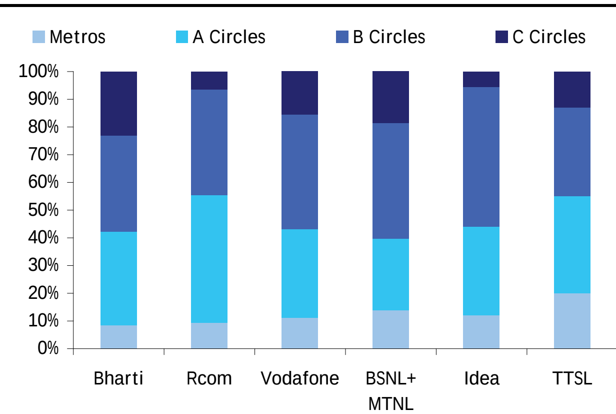


Source: Auspi, COAI, PL Research

Subscriber distribution end of period - February 2009



Subscriber distribution of net additions - February 2009



Source: Auspi, COAI, PL Research

- Vodafone subscriber base is evenly distributed in the metros, A and B circles.
- RCom's net additions are very strong in A and B circles.

Subscriber base of operators : Circle-wise

- Bharti has a strong foothold in Delhi, AP and Karnataka.
- Idea continues to impress in Kerala and Maharashtra.

Subscriber Base (Figs in Mn)	Operators						
As at end February '09	Bharti	Rcom	Vodafone	BSNL+ MTNL	Idea incl Spice	TTSL	Penetration
METROS	**12.1**	**11.6**	**12.6**	**6.5**	**3.1**	**8.8**	**100.3%**
Mumbai	2.79	4.30	4.30	2.19	0.69	2.24	100.2%
Delhi	4.67	3.34	4.00	1.89	2.40	4.57	124.8%
Kolkatta	2.46	2.62	2.72	1.35	0.00	1.51	66.3%
Chennai	2.13	1.36	1.53	1.04	0.00	0.44	122.2%
CIRCLE A	**34.39**	**21.80**	**24.64**	**13.76**	**17.59**	**10.97**	**37.9%**
Maharashtra	5.69	4.35	4.43	3.36	7.23	4.38	32.8%
Andhra Pradesh	8.89	5.67	3.81	3.02	4.94	3.15	35.7%
Karnataka	9.82	4.06	3.59	2.18	1.62	1.37	39.3%
Gujarat	3.98	3.90	7.81	2.38	3.80	1.35	40.9%
Tamilnadu	6.00	3.83	5.01	2.82	0.00	0.73	44.4%
CIRCLE B	**29.83**	**25.81**	**27.58**	**21.22**	**20.09**	**11.62**	**25.5%**
Haryana	1.25	1.51	2.15	1.50	1.56	1.29	38.2%
Rajasthan	6.70	3.08	4.89	2.80	1.21	2.49	33.5%
UP East	5.72	4.80	6.32	5.37	1.92	1.47	19.7%
UP West	2.26	3.42	4.22	2.32	3.90	2.09	26.0%
West Bengal	3.50	2.90	4.59	1.76	0.00	0.94	21.0%
Kerala	2.17	2.65	3.00	2.44	4.24	0.77	45.1%
Punjab	3.75	1.49	2.15	2.64	2.43	1.33	53.0%
MP	4.47	5.95	0.26	2.39	4.83	1.24	15.6%
CIRCLE C	**14.84**	**10.40**	**1.14**	**6.81**	**0.74**	**2.53**	**21.7%**
Himachal Pradesh	0.95	1.00	0.03	0.72	0.14	0.13	46.9%
Bihar	7.15	5.49	0.60	2.54	0.61	1.66	20.7%
Orissa	2.81	2.02	0.28	1.29	0.00	0.65	20.0%
Assam	1.45	1.41	0.12	0.82	0.00	0.04	18.6%
North Eastern States	0.89	0.47	0.11	0.61	0.00	0.01	22.8%
Jammu & Kashmir	1.59	0.01	0.00	0.83	0.00	0.03	28.0%
Total	**91.1**	**69.6**	**65.9**	**48.3**	**41.5**	**33.9**	**32.5%**
Market Share	**24.6%**	**18.8%**	**17.8%**	**13.0%**	**11.2%**	**9.1%**	

Source: Auspi, COAI, PL Research

Market share of operators : Circle-wise

- Vodafone and Bharti continue to maintain their leadership in the metros, followed closely by RCom.
- Bharti, Vodafone and Idea enjoy the incumbency advantage in key metros and A circles.

Market Share	Operators					
As at end February '09	Bharti	Rcom	Vodafone	BSNL+ MTNL	Idea	TTSL
METROS	**20.2%**	**19.5%**	**21.1%**	**10.9%**	**5.2%**	**14.7%**
Mumbai	15.0%	23.1%	23.1%	11.8%	3.7%	12.1%
Delhi	22.4%	16.0%	19.2%	9.1%	11.5%	21.9%
Kolkatta	22.1%	23.5%	24.4%	12.2%	0.0%	13.5%
Chennai	23.8%	15.2%	17.1%	11.6%	0.0%	4.9%
CIRCLE A	**26.3%**	**16.7%**	**18.8%**	**10.5%**	**13.4%**	**8.4%**
Maharashtra	19.3%	14.8%	15.0%	11.4%	24.5%	14.9%
Andhra Pradesh	30.2%	19.2%	12.9%	10.3%	16.8%	10.7%
Karnataka	43.4%	17.9%	15.8%	9.6%	7.2%	6.0%
Gujarat	17.1%	16.8%	33.7%	10.3%	16.4%	5.8%
Tamilnadu	23.0%	14.6%	19.1%	10.8%	0.0%	2.8%
CIRCLE B	**21.6%**	**18.7%**	**20.0%**	**15.4%**	**14.5%**	**8.4%**
Haryana	13.5%	16.4%	23.2%	16.2%	16.8%	13.9%
Rajasthan	30.9%	14.2%	22.6%	12.9%	5.6%	11.5%
UP East	22.3%	18.8%	24.7%	21.0%	7.5%	5.7%
UP West	12.4%	18.8%	23.2%	12.8%	21.4%	11.5%
West Bengal	23.7%	19.6%	31.0%	11.9%	0.0%	6.4%
Kerala	14.2%	17.3%	19.6%	15.9%	27.8%	5.0%
Punjab	26.5%	10.5%	15.1%	18.6%	17.1%	9.4%
MP	23.4%	31.1%	1.3%	12.5%	25.2%	6.5%
CIRCLE C	**35.2%**	**24.7%**	**2.7%**	**16.2%**	**1.8%**	**6.0%**
Himachal Pradesh	30.7%	32.2%	1.0%	23.2%	4.4%	4.3%
Bihar	36.9%	28.3%	3.1%	13.1%	3.1%	8.5%
Orissa	35.5%	25.5%	3.6%	16.3%	0.0%	8.2%
Assam	26.5%	25.7%	2.2%	15.1%	0.0%	0.7%
North Eastern States	29.2%	15.4%	3.5%	19.9%	0.0%	0.4%
Jammu & Kashmir	50.3%	0.3%	0.0%	26.2%	0.0%	0.9%
Market Share	**24.6%**	**18.8%**	**17.8%**	**13.0%**	**11.2%**	**9.1%**

Source: Auspi, COAI, PL Research

Net additions by operators : Circle-wise for February 2009

- RCom's net additions are impressive in Maharashtra, AP, Tamil Nadu, UP (West) and Haryana.
- Subscriber net additions of Vodafone way ahead of others in Gujarat and UP (East).

Net Additions (Figs in '000)	Operators					
For the month of February 2009	Bharti	Rcom	Vodafone	BSNL+ MTNL	Idea	TTSL
METROS	**228.9**	**314.6**	**287.8**	**221.7**	**181.9**	**217.9**
Mumbai	29.83	48.70	69.51	55.22	87.34	38.62
Delhi	97.98	147.65	82.95	25.55	94.60	134.15
Kolkatta	55.82	116.52	111.22	117.98	0.00	42.27
Chennai	45.27	1.75	24.08	22.93	0.00	2.82
CIRCLE A	**922.41**	**1539.40**	**828.21**	**408.96**	**478.90**	**384.32**
Maharashtra	145.87	487.87	202.06	28.93	187.06	222.83
Andhra Pradesh	299.15	608.54	140.59	150.50	142.39	86.80
Karnataka	219.75	36.83	103.30	92.38	48.01	36.83
Gujarat	50.33	34.06	210.89	5.61	101.44	28.73
Tamilnadu	207.31	372.09	171.37	131.54	0.00	9.14
CIRCLE B	**950.57**	**1277.14**	**1062.97**	**661.69**	**758.55**	**349.93**
Haryana	10.88	239.59	68.15	93.31	72.26	37.77
Rajasthan	294.34	103.50	150.10	101.19	5.96	52.88
UP East	170.23	93.30	232.93	156.22	118.35	39.38
UP West	58.65	339.11	132.32	79.09	151.75	72.69
West Bengal	180.46	122.41	232.92	91.93	0.00	51.27
Kerala	55.45	40.83	100.73	52.32	163.03	12.68
Punjab	40.83	183.96	65.68	53.09	48.38	35.53
MP	139.72	154.44	80.15	34.54	198.81	47.73
CIRCLE C	**630.34**	**213.85**	**401.94**	**295.96**	**83.07**	**140.70**
Himachal Pradesh	13.25	15.22	12.39	27.39	5.23	1.91
Bihar	300.72	132.72	272.73	195.85	77.84	89.20
Orissa	100.08	53.17	51.63	36.70	0.00	24.95
Assam	95.84	3.30	31.09	21.30	0.00	10.92
North Eastern States	47.14	1.56	34.11	19.16	0.00	5.51
Jammu & Kashmir	73.31	7.89	0.00	-4.43	0.00	8.21
Total	**2732.2**	**3345.0**	**2580.9**	**1588.3**	**1502.5**	**1092.8**
Market Share	**20.0%**	**24.5%**	**18.9%**	**11.6%**	**11.0%**	**8.0%**

Source: Auspi, COAI, PL Research

Market share of net additions operator-wise for February 2009

- RCom's market share of net additions is highest in Metros, A and B Circles.

Market Share	Operators					
For the month of February 2009	**Bharti**	**Rcom**	**Vodafone**	**BSNL+ MTNL**	**Idea**	**TTSL**
METROS	**14.1%**	**19.4%**	**17.8%**	**13.7%**	**11.2%**	**13.4%**
Mumbai	7.6%	12.3%	17.6%	14.0%	22.1%	9.8%
Delhi	16.8%	25.3%	14.2%	4.4%	16.2%	23.0%
Kolkatta	11.7%	24.5%	23.4%	24.8%	0.0%	8.9%
Chennai	27.1%	1.0%	14.4%	13.8%	0.0%	1.7%
CIRCLE A	**18.9%**	**31.6%**	**17.0%**	**8.4%**	**9.8%**	**7.9%**
Maharashtra	11.4%	38.3%	15.9%	2.3%	14.7%	17.5%
Andhra Pradesh	20.9%	42.6%	9.8%	10.5%	10.0%	6.1%
Karnataka	41.9%	7.0%	19.7%	17.6%	9.2%	7.0%
Gujarat	11.7%	7.9%	48.9%	1.3%	23.5%	6.7%
Tamilnadu	17.1%	30.6%	14.1%	10.8%	0.0%	0.8%
CIRCLE B	**18.3%**	**24.6%**	**20.4%**	**12.7%**	**14.6%**	**6.7%**
Haryana	2.1%	45.9%	13.1%	17.9%	13.8%	7.2%
Rajasthan	38.1%	13.4%	19.4%	13.1%	0.8%	6.9%
UP East	21.0%	11.5%	28.7%	19.3%	14.6%	4.9%
UP West	7.0%	40.7%	15.9%	9.5%	18.2%	8.7%
West Bengal	24.4%	16.6%	31.5%	12.4%	0.0%	6.9%
Kerala	12.7%	9.4%	23.1%	12.0%	37.4%	2.9%
Punjab	9.5%	42.6%	15.2%	12.3%	11.2%	8.2%
MP	21.3%	23.6%	12.2%	5.3%	30.3%	7.3%
CIRCLE C	**31.8%**	**10.8%**	**20.3%**	**14.9%**	**4.2%**	**7.1%**
Himachal Pradesh	16.4%	18.8%	15.3%	33.8%	6.4%	2.4%
Bihar	26.8%	11.8%	24.3%	17.4%	6.9%	7.9%
Orissa	31.0%	16.5%	16.0%	11.4%	0.0%	7.7%
Assam	48.6%	1.7%	15.8%	10.8%	0.0%	5.5%
North Eastern States	34.5%	1.1%	25.0%	14.0%	0.0%	4.0%
Jammu & Kashmir	60.7%	6.5%	0.0%	-3.7%	0.0%	6.8%
Market Share	**20.0%**	**24.5%**	**18.9%**	**11.6%**	**11.0%**	**8.0%**

Source: Auspi, COAI, PL Research

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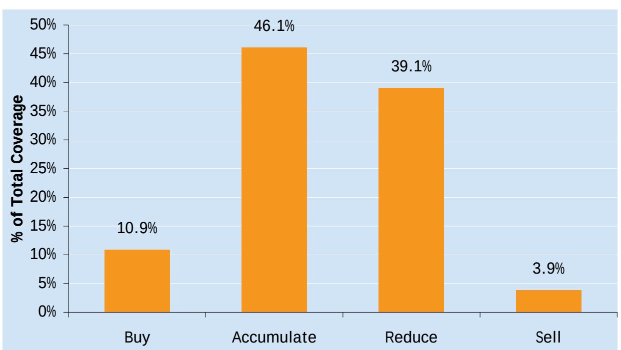
Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	:	Over 15% Outperformance to Sensex over 12-months	**Accumulate**	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months	**Sell**	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month	**Trading Sell**	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock	**Under Review (UR)**	:	Rating likely to change shortly