

Telecommunications

Feb effect: Vodafone gives Bharti a run for its money

GSM net subscriber additions dip 1.8%: GSM operators added 9.18mn subscribers in February (excluding Rcom GSM), as against 9.35mn in January – a marginal decline of 1.8% MoM, which we feel is primarily due to lesser number of days in February.

Revenue market share name of the game: The mad rush for new connections to take advantage of promotional freebies / introductory offers has led to a substantially high number of subscriber additions. Further, reporting of churn happens with a lag effect, with majority of subscriber additions being on lifetime schemes, which makes it increasingly difficult to ascertain new subscribers. In such a scenario, subscriber market share and ARPU have started losing their meaning, while revenue growth and revenue market share are the trends to watch out for.

Bharti's net additions flat MoM: Bharti added 2.73mn subscribers in February after having added a similar number in January. This is the ninth successive month where subscriber additions of Bharti have remained flat at 2.7mn.

Vodafone closing in on Bharti: Vodafone added 2.58mn subscribers against 2.41mn subscribers in January, a MoM growth of 7.2%. It has significantly breached the gap of subscriber additions, leapfrogging closer to Bharti with the completion of its pan-India coverage except in Jammu & Kashmir. Vodafone's net additions have increased consistently from 1.75mn subscribers in July 2008 to 2.6mn in February 2009, whereas Bharti's net additions have remained flat over the same period at 2.7mn.

Idea's net additions dwindle: After reporting a strong set of subscriber additions in January at 2mn, net additions for Idea declined to 1.5mn in February. Of the 0.5mn decline in subscriber additions, a major portion was contributed by its new circle of Mumbai and Bihar, where additions fell by 0.37mn.

BSNL net-adds double between November and February: BSNL net-additions have increased significantly over the last couple of months, from 0.7mn in November to 1.36mn in January to 1.51mn in February (a MoM growth of 11%). BSNL's average net-additions increased from 0.56mn per month between April'08-November'08 to 1.26mn subscribers per month between December'08 and February'09. We reiterate BSNL's net additions usually increase towards the end of the financial year with substantially high additions in March of every year, which primarily could be on account of target achievement.

Aircel net additions up 4% MoM: Aircel net-additions were marginally up from 0.69mn in January to 0.71mn in February. During the month, Aircel started operations in two new circles of Karnataka and Kerala.

Note: CDMA and Rcom's GSM numbers are not yet out for the month; we assume that the latter's figures are the same as that for November.

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Bharti	568	(12.8)	(21.5)	(27.0)
Idea	45	(11.9)	(15.5)	(45.5)
Rcom	143	(21.1)	(42.4)	(63.4)
MTNL	61	(13.3)	(18.8)	(37.1)
TTML	21	(9.5)	3.7	(22.7)
Sensex	8,565	(11.1)	(11.6)	(38.8)

Wireless subscribers

(mn)	FY06	FY07	FY08	Jan-09
Bharti	19.6	37.1	62.0	88.4
Reliance	20.2	29.0	45.8	67.0
Vodafone	15.4	26.4	44.1	63.3
BSNL	17.2	30.7	40.8	47.6
Idea	9.3	16.7	28.2	40.0
Tata	8.4	16.0	24.4	32.8
Aircel	2.6	5.5	10.6	16.8
Others	3.4	4.2	5.2	7.1
Total	96.1	165.6	261.1	362.9

Source: TRAI, RHH estimates

Wireless subscriber market share

(%)	FY06	FY07	FY08	Jan-09
Bharti	20.4	22.4	23.7	24.4
Reliance	21.0	17.5	17.5	18.5
Vodafone	16.0	15.9	16.9	17.5
BSNL	17.9	18.5	15.6	13.1
Idea	9.7	10.1	10.8	11.0
Tata	8.7	9.7	9.3	9.0
Aircel	2.7	3.3	4.1	4.6
Others	3.5	2.5	2.0	1.9
Total	100.0	100.0	100.0	100.0

Source: TRAI, RHH estimates





Fig 1 - Subscriber base by group

Operators (in '000s)	Subscriber base as at										
	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Bharti	64,370	66,826	69,384	72,078	74,778	77,479	80,200	82,921	85,651	88,383	91,115
Vodafone	45,780	47,467	49,195	50,950	52,759	54,625	56,704	58,764	60,933	63,340	65,921
BSNL	41,262	41,578	41,955	42,533	43,171	43,864	44,578	45,279	46,228	47,584	49,092
Idea (incl Spice)	29,403	30,638	31,742	32,446	32,842	33,980	35,220	36,516	38,013	40,016	41,519
Aircel	10,989	11,492	11,925	12,476	13,127	13,878	14,659	15,375	16,076	16,761	17,477
MTNL	3,566	3,632	3,718	3,816	3,909	3,958	4,024	4,101	4,188	4,296	4,377
BPL	1,314	1,331	1,378	1,440	1,517	1,664	1,808	1,882	1,948	2,007	2,073
Sub total1	196,685	202,964	209,298	215,739	222,103	229,448	237,193	244,838	253,037	262,388	271,573
Reliance	47,414	49,048	50,788	52,538	54,289	56,046	57,804	59,570	61,345	66,952	66,952
Tata	24,775	25,476	26,330	27,330	28,375	29,336	30,163	31,017	31,764	32,791	32,791
Others	424	435	453	474	480	483	569	652	748	751	751
Sub total2	72,613	74,959	77,570	80,341	83,145	85,864	88,536	91,238	93,857	100,495	100,495
Total	269,299	277,923	286,868	296,080	305,248	315,312	325,729	336,076	346,894	362,883	372,068

Source: TRAI, RHH Note: Due to delay in reporting of subscriber numbers by CDMA players, same is shown separately
Note: Others primarily include Shyam and HFCL

Fig 2 - Subscriber additions by group

Operators (in '000s)	Subscriber base as at											
	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	YTD Jan-09
Bharti	2,386	2,456	2,558	2,694	2,700	2,701	2,721	2,721	2,730	2,732	2,732	26,398
Vodafone	1,654	1,686	1,728	1,755	1,808	1,866	2,079	2,061	2,169	2,407	2,581	19,214
BSNL	473	316	378	578	638	692	715	701	949	1,356	1,508	6,795
Idea (incl Spice)	1,191	1,236	1,104	704	396	1,138	1,240	1,296	1,497	2,003	1,502	11,804
Aircel	379	503	433	551	651	752	781	716	701	686	716	6,151
MTNL	35	65	87	98	92	49	66	77	87	108	81	764
BPL	19	17	47	61	77	147	144	74	65	60	66	713
Sub total1	6,136	6,278	6,334	6,441	6,364	7,345	7,745	7,646	8,198	9,352	9,185	71,839
Reliance	1,620	1,634	1,740	1,750	1,752	1,757	1,759	1,765	1,775	5,607	-	21,159
Tata	445	701	854	1,000	1,046	960	827	854	747	1,027	-	8,461
Others	18	10	18	21	6	3	86	83	96	3	-	345
Sub total2	2,084	2,345	2,611	2,771	2,804	2,719	2,672	2,702	2,619	6,638	-	29,965
Total	8,220	8,624	8,946	9,212	9,168	10,064	10,417	10,348	10,817	15,989	9,185	101,804

Source: TRAI, RHH



Fig 3 - Market share in subscriber base

Category (%)	Subscriber base as at										
	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Bharti	23.9	24.0	24.2	24.3	24.5	24.6	24.6	24.7	24.7	24.4	24.5
Vodafone	17.0	17.1	17.1	17.2	17.3	17.3	17.4	17.5	17.6	17.5	17.7
BSNL	15.3	15.0	14.6	14.4	14.1	13.9	13.7	13.5	13.3	13.1	13.2
Idea (incl Spice)	10.9	11.0	11.1	11.0	10.8	10.8	10.8	10.9	11.0	11.0	11.2
Aircel	4.1	4.1	4.2	4.2	4.3	4.4	4.5	4.6	4.6	4.6	4.7
MTNL	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2
BPL	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Sub total1	73.0	73.0	73.0	72.9	72.8	72.8	72.8	72.9	72.9	72.3	73.0
Reliance	17.6	17.6	17.7	17.7	17.8	17.8	17.7	17.7	17.7	18.5	18.0
Tata	9.2	9.2	9.2	9.2	9.3	9.3	9.3	9.2	9.2	9.0	8.8
Others	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Sub total2	27.0	27.0	27.0	27.1	27.2	27.2	27.2	27.1	27.1	27.7	27.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: TRAI, RHH Note: Feb market share of net-additions not comparable to previous months due to non-availability of CDMA subscriber additions

Fig 4 - Market share in net-additions

Category (%)	Subscriber base as at											
	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	YTD Jan-09
Bharti	29.0	28.5	28.6	29.2	29.5	26.8	26.1	26.3	25.2	17.1	29.7	25.9
Vodafone	20.1	19.6	19.3	19.1	19.7	18.5	20.0	19.9	20.1	15.1	28.1	18.9
BSNL	5.8	3.7	4.2	6.3	7.0	6.9	6.9	6.8	8.8	8.5	16.4	6.7
Idea (incl Spice)	14.5	14.3	12.3	7.6	4.3	11.3	11.9	12.5	13.8	12.5	16.4	11.6
Aircel	4.6	5.8	4.8	6.0	7.1	7.5	7.5	6.9	6.5	4.3	7.8	6.0
MTNL	0.4	0.8	1.0	1.1	1.0	0.5	0.6	0.7	0.8	0.7	0.9	0.8
BPL	0.2	0.2	0.5	0.7	0.8	1.5	1.4	0.7	0.6	0.4	0.7	0.7
Sub total1	74.7	72.8	70.8	69.9	69.4	73.0	74.4	73.9	75.8	58.5	100.0	70.6
Reliance	19.7	18.9	19.4	19.0	19.1	17.5	16.9	17.1	16.4	35.1	0.0	20.8
Tata	5.4	8.1	9.5	10.9	11.4	9.5	7.9	8.3	6.9	6.4	0.0	8.3
Others	0.2	0.1	0.2	0.2	0.1	0.0	0.8	0.8	0.9	0.0	0.0	0.3
Sub total2	25.3	27.2	29.2	30.1	30.6	27.0	25.6	26.1	24.2	41.5	0.0	29.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: TRAI, RHH Note: Feb market share of net-additions not comparable to previous months as it contains only GSM net additions market share

Fig 5 - Circle-wise share in subscriber base

Category (%)	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Metros	17.0	16.9	16.8	16.7	16.6	16.4	16.3	16.3	16.2	16.3	16.1
A	35.8	35.7	35.7	35.7	35.6	35.6	35.5	35.3	35.3	35.2	35.1
B	36.6	36.7	36.8	36.9	37.0	37.0	37.1	37.2	37.2	37.3	37.3
C	10.5	10.6	10.7	10.7	10.8	10.9	11.0	11.2	11.3	11.3	11.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: TRAI, RHH Note: Feb market share of net-additions not comparable to previous months due to non-availability of CDMA subscriber additions



Fig 6 - Circle-wise share in net additions

Category (%)	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	YTD Jan-09
Metros	13.0	13.3	13.2	13.4	14.5	10.6	13.0	16.2	12.0	17.7	11.8	13.9
A	30.7	32.9	36.1	34.1	32.2	35.9	33.8	29.0	32.7	33.2	32.3	33.1
B	43.3	40.0	38.2	39.5	39.8	39.0	39.6	38.8	39.7	38.1	38.2	39.5
C	13.0	13.8	12.5	13.0	13.6	14.5	13.6	16.1	15.6	11.0	17.7	13.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: TRAI, RHH Note: Feb market share of net-additions not comparable to previous months due to non-availability of CDMA subscriber additions

Fig 7 - Circle-wise penetration rate

Category (%)	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Metros	79.1	81.1	83.2	85.3	87.6	89.4	91.7	94.6	96.9	101.7	103.6
A	27.5	28.3	29.2	30.1	31.0	32.0	33.0	33.8	34.8	36.4	37.2
B	19.2	19.9	20.5	21.3	22.0	22.7	23.5	24.3	25.2	26.3	27.0
C	12.6	13.2	13.7	14.2	14.7	15.4	16.0	16.8	17.5	18.3	19.0
Total	23.5	24.2	25.0	25.8	26.6	27.5	28.4	29.3	30.3	31.7	32.5

Source: TRAI, RHH

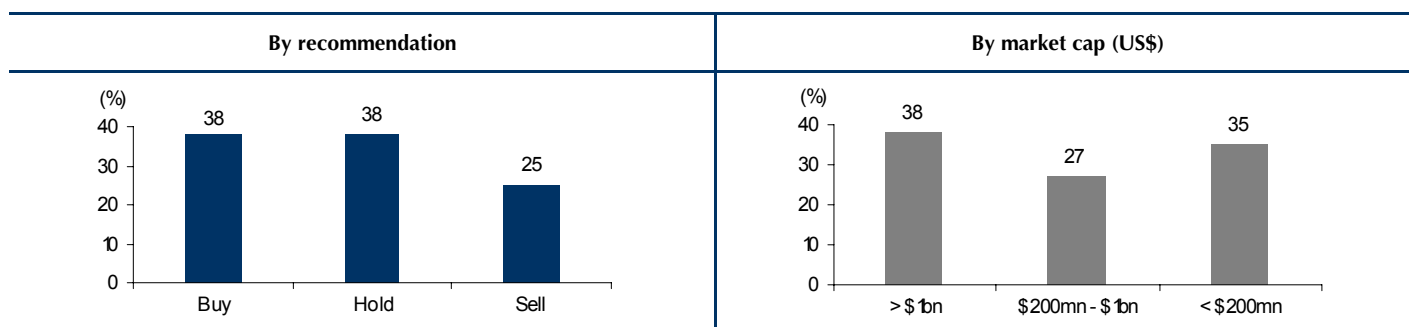
Fig 8 - Operator-wise, circle-wise market share (Jan-09)

Category (%)	Bharti	Vodafone	BSNL	Idea (incl Spice)	Reliance	Tata	Aircel	Others	% of all India Subs
Chennai	23.6	17.1	12.0	-	15.4	4.9	27.0	-	2.4
Delhi	22.4	19.2	-	11.3	15.6	21.7	-	9.8	5.6
Kolkatta	21.1	23.0	11.2	-	27.8	12.9	3.9	-	3.1
Mumbai	15.1	23.1	-	3.3	23.2	12.0	-	23.4	5.1
Metro	20.0	20.8	4.0	4.9	20.3	14.5	4.8	10.7	16.3
Andhra Pradesh	30.3	12.9	11.1	17.0	17.9	10.8	-	-	7.8
Gujarat	17.1	33.1	11.1	16.1	16.8	5.7	-	-	6.3
Karnataka	42.8	15.5	10.8	7.0	17.9	6.0	-	-	6.2
Maharashtra	19.4	14.8	13.0	24.7	13.5	14.6	-	-	7.9
Tamilnadu	22.9	19.1	12.2	-	13.6	2.8	29.4	-	7.0
A Circle	26.2	18.7	11.7	13.4	15.9	8.3	5.8	-	35.2
Haryana	14.0	23.6	17.0	16.8	14.4	14.2	-	-	2.4
Kerala	13.7	18.8	19.2	26.5	16.9	4.9	-	-	4.2
Madhya Pradesh	22.7	0.9	15.4	24.3	30.4	6.2	-	-	5.3
Punjab	26.8	15.0	19.3	17.2	9.5	9.4	-	2.8	3.8
Rajasthan	30.2	22.4	14.1	5.7	14.0	11.5	-	2.1	5.8
UP East	22.0	24.2	22.2	7.2	18.7	5.7	-	-	6.9
UP West	12.5	23.2	14.0	21.3	17.5	11.4	-	-	4.9
West Bengal	23.4	30.7	12.8	-	19.6	6.3	7.4	-	3.9
B Circle	21.3	19.6	16.9	14.3	18.1	8.3	0.8	0.6	37.3
Assam	25.2	1.7	16.8	-	26.1	0.5	29.7	-	1.5
Bihar	36.9	1.8	14.2	2.8	28.8	8.4	7.0	-	5.1
Himachal Pradesh	30.0	0.6	25.6	4.2	31.5	4.2	3.9	-	0.9
Jammu & Kashmir	48.3	-	29.7	-	0.0	0.7	21.3	-	0.9
North East	28.1	2.4	22.6	-	15.5	0.2	31.2	-	0.8
Orissa	34.8	3.0	18.4	-	25.3	8.1	10.4	-	2.1
C Circle	34.7	1.8	18.0	1.6	24.8	5.8	13.3	-	11.3
Overall	24.4	17.5	13.1	11.0	18.4	9.0	4.6	2.0	100.0

Source: TRAI, RHH



Coverage profile



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and –5%
Sell	Less than –5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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