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Industry View
Attractive

India Telecommunications

2011 – Not about Tariff Cuts, But 3G and Regulations

What's Changed

Industry View: India Telecommunications	**In-Line to Attractive**

We raise our sector view to Attractive: 1) Regulatory issues could be resolved in 2011. 2) Operating performance should improve for the next few quarters. 3) 3G ARPMs and ARPUs should stabilize. 4) Bharti, Idea and RCOM should be FCF positive in F2012. **Idea and OnMobile are our top picks followed by Bharti; maintain RCOM at Equal-weight.** Idea gains from its high exposure to domestic wireless; OnMobile's strategy of increasing global presence will be felt F1Q12 onwards

Regulatory concerns could be resolved: Following the appointment of a new telecom minster in India, we expect the government to re-address policy pertaining to renewal of license and spectrum charges. While payouts are likely, this would remove uncertainty for operators.

Pan India 3G should be launched by April 2011. Tata's and RCOM's 3G tariffs seem to focus on an ensured minimum ARPU of Rs200-300/user per month, bundling minutes with data usage. This should arrest the fall in ARPUs and ARPMs. However, short-term finance and amortization charges could dampen F4Q11 profits.

F3Q11 operating revenue should be strong. We estimate 4-5% EBITDA growth thanks to a smaller drop of 2.4% in average revenue per minute and cumulative minute growth of 5-6%. However, we expect Bharti to report a 22% QoQ dip in profits due to one-time rebranding cost.

FCF positive post 3G license fee payment. Our analysis suggests the three big operators will have an average FCF of 7% in F2012, lowering their net debt to EBITDA and strengthening their balance sheets.

Summary of Changes

Company	PT Change	Target Price (Rs/share)	PT Change (%)	% from current levels
Bharti (BRTI.BO, Rs346.1 OW)	No Change	398	0%	15%
RCOM (RLCM.BO, Rs138.5 EW)	Rs 180 To Rs147	147	-19%	6%
Idea (IDEA.BO, Rs67.3 OW)	Rs 97 To Rs90	90	-7%	34%
OnMobile (ONMO.BO, Rs269.1 OW)	Rs 466 To Rs400	400	-14%	49%

Regulatory Payouts

(Rs/share)	Excess Spectrum	Renewal of Spectrum	Total
Bharti	5.2	14.8	20.0
RCOM	0.1	7.8	7.9
Idea	2.0	8.9	10.9

Source: Morgan Stanley Research estimates

Indian Telecom Industry – Raise the Bar to Attractive

- **The BSE Sensex has been correcting for the past quarter.** The index was down 5%.
- **Telco stocks have been a mixed bag** with the largest market-cap Bharti outperforming by 6%. Idea was a market performer, but OnMobile and RCOM fell 20+%
- **We move to Attractive view and cite four key themes for the industry for 2011:**
  1) Regulatory concerns could decrease shortly.
  2) 3G launch should stabilize ARPMs and ARPUs, but amortization and financial charges will bring short-term pain.
  3) Operating performance may improve in F3Q11, with a return to industry revenue growth.
  4) The Indian operators should be FCF positive with the 3G auction over and capex under control.
- **Idea remains our top wireless pick:** The company has the greatest wireless exposure and hence the greatest sensitivity a to a change in ARPM – a 1% change would change earnings by 3%.
- **Opportunity to accumulate OnMobile** thanks to stock underperformance backed by expected strongest sequential revenue and EBITDA growth in the next few quarters
- **Still Overweight Bharti:** The company has the highest wireless revenue market share in the country, it is FCF positive, and the contribution from its Zain acquisition is increasing.
- **Maintain Equal-weight on RCOM:** Recent stock underperformance balances RCOM's net debt to EBITDA – the highest amongst its peers – and muted earnings growth.
- Unlocking value of towers could alleviate debt concerns and be a positive trigger.

Four Key Industry Themes

Regulatory concerns could be resolved in 2011

Following the appointment of a new telecom minster in India, we expect the government to re-address issues pertaining to spectrum, notably the following:

1) Regulations and charges pertaining to spectrum held in excess of 6.2MHz by incumbent GSM operators;

2) Merger & acquisition guidelines, which could allow new operators to exit the industry or merge into existing operators;

3) Policy pertaining to renewal of license and spectrum charges.

The government sold an average all-India license of 2100MHz band for 3G at an average incremental charge of US$32mn/MHz, the amount varying between different circles. The charge for new operators that were awarded 4.4MHz of 1800MHz spectrum band was US$420mn, or US$4/MHz (Exhibit 1). The disparity in spectrum charges and scarcity of spectrum has engendered much discussion in the industry.

Our discussions with various industry segments reveal that, due to the air traffic interface equipment permitted in the bands, the 900MHz, 1800MHz and 2100MHz bands are not comparable, with 2100MHz being much more useful and efficient; the 900MHz and 1800MHz are less efficient.

In addition, as the same operator receives more spectrum, the efficiency of the spectrum increases – hence, charges for the first 6.2MHz of spectrum will be lower than those for incremental spectrum above 6.2MHz.

To elaborate, since 3G equipment is allowed in the 2100MHz band, it is 2.22 times more efficient than 900MHz, which is restricted to 2G equipment, and about 1.3 times higher than the incremental spectrum in 900MHz allotted above 6.2MHz (Exhibit 2).

The regulator may announce formulas that differentiate charges among the three bands, using efficiency factors based on the permitted equipment interface. The charges would be different in different circles and for the first 6.2MHz of spectrum and excess spectrum. Column A in Exhibit 2 indicates the spectrum benchmark in case of any merger or sale of spectrum by new to existing operators, or the fee to be paid by an existing operator when the spectrum comes in for renewal, starting in 2014. Column B is the benchmark for charging existing operators fees for using spectrum above 6.2MHz, since that comes with higher efficiency.

Our key conclusions are:

As shown in Exhibit 3, we believe the outflow for incumbents could be about 40% lower than the 3G auction price to be proposed by the Telecom Regulatory Authority of India (TRAI) in its May 2011 recommendation for incremental spectrum above 6.2MHz.

When the spectrum comes up for renewal, we expect the government to charge renewal fees to existing operators, as shown in Exhibit 4. Since these would have to be paid over a number of years, we show our expectations of the actual fee to be paid as well its net present value (NPV) and NPV per share.

Exhibit 5 shows what new operators that have received 4.4 pair spectrum in the 1800MHz band would have had to pay had the same formulas been used. Since they have already paid for the spectrum, the government may give them an exit clause linking this spectrum charge to any merger or sell-down. In our eyes, the government would keep the differential between what it charges new operators and what the new operators fetch in the market, at least to the tune of this benchmark.

As a bear case in Exhibit 6, we also analyze what would happen if the government and regulators were to re-farm the 900MHz of spectrum and charge the license renewal fee for 1800MHz equal to 3G auction rates.

For our target prices, we incorporate the base and bear cases just discussed. As shown in Exhibit 6, we assume net cash outflow of US$1.7bn for Bharti, US$361mn for RCOM and US$799mn for Idea.

Exhibit 1

Indian Telecoms: Average License Fee per MHz

	Rs mn	USD mn	Total Spectrum	USD mn/Mhz
3G	161,236	3,477	110.0	32
2G	16,586	358	96.8	4

Source: Company data, Morgan Stanley Research

Exhibit 2

Indian Telecoms: Spectrum Efficiency Based on Air Traffic Interface

Spectrum Band	Spectrum Efficency, based on air traffic interface: Data	Spectrum Efficency, based on air traffic interface adjusted for usage: Voice	Spectrum Efficency, based on air traffic interface adjusted for usage: Data	Overall Efficiency	Implied Price Per MHz	Column A: Efficiency Factor for total spectrum (Renewal + M&A)	Column B: Efficiency factor for incremental spectrum beyond 6.2 MHz
900	0.4	0.25	0.2	0.45	14.26	45%	79%
1800	0.28	0.16	0.14	0.30	9.51	30%	53%
2100	1	0.5	0.5	1.00	31.69	100%	100%

Source: Company data, Morgan Stanley Research Estimates

Exhibit 3

India Telecoms: Estimated Charges for Excess Spectrum beyond 6.2MHz

	TRAI Reco's			*Our Assumptions*		
(US$ mn)	***Overall***	***ProRated***	***ProRated Per Share***	***Overall***	***ProRated***	***ProRated Per Share***
Bharti	2,690	1,086	12.9	1,086	439	5.2
Vodafone Essar	2,492	929		1,007	375	
BSNL	2,169	990		876	400	
Idea	867	363	5.0	350	147	2.0
Aircel	559	213		226	86	
Loop	806	282		326	114	
RCOM	19	7	0.1	8	3	0.1
Total	**9,602**	**3,871**		**3,878**	**1,563**	

Source: Company data, Morgan Stanley Research Estimates

Exhibit 4

India Telecoms: Estimated Renewal Charges Assuming Same Spectrum retained

(US$ mn)	***Overall***	***NPV***	***NPV Per Share***
Bharti	2,317	1,251	14.8
Vodafone Essar	2,433	1,462	
BSNL	1,874	757	
Idea	1,512	652	8.9
Aircel	1,323	431	
Loop	1,121	487	
RCOM	984	358	7.8
Total	**11,563**	**5,398**	

Source: Company data, Morgan Stanley Research Estimates

Exhibit 5

India Telecoms: New Operators’ Spectrum Value for M&A

(US$ mn)	***Overall Spectrum Value***	***Entry Fee Paid***	***Balance to be paid to Government***
Tata	741	331	410
Videocon	725	297	428
Unitech	741	331	410
Etisalat	929	342	587
STel	24	6	19

Source: Company data, Morgan Stanley Research Estimates

Exhibit 6

India Telecoms: Regulatory Payout Scenarios

	Excess Spectrum Beyond 6.2MHz		Payout for Overall spectrum		NPV of Payout for Overall spectrum		Total (Excess + NPV)		
	Max. Payout	Base Case	Max. Payout	Base Case	Max. Payout	Base Case	Max. Payout	Base Case in our Target Price Calculation	Bear Case = (Max. Payout-Base Case)
Assumptions									
Multiplier for 1800 vs 3G	1.00	0.53	1.00	0.30	1.00	0.30			
Multiplier for 900 vs 3G	1.50	0.79	1.50	0.45	1.50	0.45			
3G - 2100MHz	1.00	1.00	1.00	1.00	1.00	1.00			
		0.27							
(USD mn)									
Bharti	1,086	439	6,159	2,317	3,196	1,251	4,282	1,690	**2,592**
RCOM	7	3	3,460	984	1,131	358	1,138	361	**777**
Idea	363	147	4,810	1,512	2,006	652	2,369	799	**1,570**
(Per share)									
Bharti	12.9	5.2	73.0	27.5	37.9	14.8	50.8	20.0	**30.7**
RCOM	0.1	0.1	75.4	21.5	24.7	7.8	24.8	7.9	**16.9**
Idea	5.0	2.0	65.6	20.6	27.4	8.9	32.3	10.9	**21.4**

Source: Company data, Morgan Stanley Research

Regulators had recommended re-farming 900MHz and swapping with 1800MHz at the time the license period ended. Using 1800MHz vs 900MHz implies a greater tower requirement for similar coverage. This could entail as much as 20% more tower capacity required for Bharti, Idea and RCOM. However, we estimate that an increase in towers would enable the companies to add incremental active electronics and increase network capacity by 15-25%, as shown in Exhibit 7. Thus, Bharti might have to shell out a one-time amount of US$800-900mn for the transition.

On the positive side, the company could spend an addition US$530-600mn, or US$1.3-1.5bn (one tower is roughly 1,000 subs), and get 14mn more subscriber capacity. However, this outlay would be during F2015-26, as and when the relevant license expires (Exhibit 41). Thus, the annual expense could be as little as US$100-200mn.

Our global team has not seen many examples of re-farming worldwide, with the government taking back 900MHz spectrum. In Europe, however, the government has relaxed the GSM directive, which forced operators to use the 900-1800MHz bands for GSM, i.e., voice. Thus, in the future, these bands could be used for 4G and data services. In Korea, KT will get 20MHz of the 900MHz band for Long Term Evolution (LTE) and will give back at least 20MHz if not all of the 40MHz from 1800MHz on CDMA. The 1800MHz band might be re-offered by the government next year.

Exhibit 7

Indian Telecoms: Re-farming of 900MHz Could Lead to 15-25% Additional Coverage Requirements

	Bharti			RCOM			Idea		
% of Additional Coverage Required	**15%**	**20%**	**25%**	**15%**	**20%**	**25%**	**15%**	**20%**	**25%**
Additional Towers required	11,250	15,000	18,750	3,818	5,091	6,364	7,500	10,000	12,500
Cost per tower (US$)	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Overall Tower Capex (US$ mn)	675	900	1,125	229	305	382	450	600	750
Capacity per tower	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Incremental Subscriber capacity (mn)	11	15	19	4	5	6	8	10	13
Active cost per sub	40	40	40	40	40	40	40	40	40
Overall Active Capex (US$ mn)	450	600	750	153	204	255	300	400	500
Overall Capex (US$ mn)	**1,125**	**1,500**	**1,875**	**382**	**509**	**636**	**750**	**1,000**	**1,250**
Incremental Subscriber capacity (mn)	11	15	19	4	5	6	8	10	13

Source: Company data, Morgan Stanley Research Estimates

Exhibit 8

Indian Telecoms: Additional Coverage Requirements Post-Refarming

		Bharti			Idea			RCOM		
Circle	**Category**	**Subs**	**% Additional Requirement**	**Estimated future tower requirement post refarming**	**Subs**	**% Additional Requirement**	**Estimated future tower requirement post refarming**	**Subs**	**% Additional Requirement**	**Estimated future tower requirement post refarming**
Delhi (NCR)	Metro	6,950	15%	554	3,029			3,187		423
Mumbai	Metro	3,202			1,802			2,362		
Kolkata	B	2,947	10%	156	743			1,904		168
Chennai		2,877			-			-		
Andhra Pradesh	A	14,240	20%	1,512	7,001	20%	490	2,408		426
Gujarat	A	5,980			5,828	20%	408	2,915		
Karnataka	A	13,434	20%	1,427	3,047	20%	213	2,726		482
Maharashtra	A	7,209			10,351	20%	725	4,165		
Tamil Nadu	A	8,745	20%	929	1,201			1,868		330
Haryana	B	1,580			2,403	20%	168	1,861		
Kerala	B	3,332			6,001	20%	420	869		
Madhya Pradesh	B	7,496			8,294	30%	871	5,356	30%	
Punjab	B	5,171	20%	549	3,608	20%	253	1,744		308
Rajasthan	B	11,004	30%	1,753	2,475	30%	260	3,122		828
Uttar Pradesh (East)	B	10,574	30%	1,684	4,263			4,959		1,316
Uttar Pradesh (West)	B	4,923	30%	784	6,512	30%	684	3,693		980
West Bengal	B	6,645	10%	353	1,206			3,589	10%	317
Assam	C	2,683	10%	142	155			1,921	10%	170
Bihar	C	12,601	30%	2,007	3,607			3,988	30%	1,058
Himachal Pradesh	C	1,453	20%	154	320			934	20%	165
Jammu and Kashmir	C	1,751	20%	186	71			310		55
North-east	C	1,612	30%	257	69			546	30%	145
Orissa	C	4,840	30%	771	750			2,116	30%	561
Total		**141,251**		**13,219**	**72,736**		**4,491**	**56,541**		**7,733**
% Additional Requirement				**18%**			**18%**			**15%**

Source: Company data, Morgan Stanley Research

Operating Performances May Improve in F3Q11

We expect Indian telecom operators to post 9-10% sequential gains and 43-44% YoY growth in subscribers in F3Q11, adding 64mn subs (Exhibit 21). Incumbents' subscriber growth has been a slightly slower average of 7-8%.

In F3Q11, we estimate operating revenue will be strong and EBITDA will rise 4-5% QoQ, driven by a smaller drop of 2.4% in ARPM and cumulative minutes' growth of 5-6%.

With the dollar relatively stable vs. the rupee at the end of the quarter compared with 3.5% appreciation in the previous three months, operators like Bharti and RCOM are unlikely to realize any forex gains. Thus, net finance charges will increase QoQ, reducing profitability.

Idea: We expect the company to report 5% sequential growth in revenues and the overall margin to remain stable at 24%. Thus, overall EBITDA could rise by 5.5% QoQ. We do not expect interest and amortization to increase substantially, so profits should rise 14.5 % QoQ (Exhibit 22).

Bharti: We expect domestic wireless revenue to rise 3.8% and EBITDA margins to fall 50bps to 35.5% due to 3G-related costs. We estimate Zain's revenues will grow by 5% QoQ and margins will widen from 23.9% to 25%, leading to EBITDA growth of 9.3% QoQ. On a consolidated basis, revenues and EBITDA could both increase by 4% QoQ. However, we estimate the company will report a 22% dip in profits QoQ due to one-time rebranding cost and higher finance costs (Exhibit 23).

RCOM: We expect RCOM to report sequential growth of 3% in revenue and 5% in EBITDA in F3Q11, with EBITDA margins expanding by 61bps sequentially to 33% driven by global business. We forecast overall profit will fall 14% QoQ due to higher interest and taxes (Exhibit 24).

OnMobile: We expect the company to report top-line growth of 8% QoQ and 23% YoY, thanks to both domestic and international business. Margins should be stable QoQ at 21%. We estimate profit will decline by 30% QoQ, since the previous quarter had extraordinary income due to sale of a stake in OnMobile's associate Verse Innovation Pvt Ltd. YoY, we estimate profits will increase 21% (Exhibit 25).

Pan India 3G should be launched by April 2011. No Increase in Capex, but Revenue Upside

The 3G tariffs of Tata's and RCOM seem to focus on an ensured minimum ARPU of Rs200-300/user per month, bundling minutes with data usage, where limited data usage is free. This should arrest the fall in ARPUs.

We have four takeaways for 3G:

1) We believe incremental capex to move to 3G should be lower than 2G: This reflects existing passive infrastructure for the incumbents. Exhibit 9 shows incremental capacity on 3G could be added at close to 20% lower capex than 2G. The big capex spend would be to upgrade the backhaul network from radio microwave to fiber and hence higher active electronic spend. The caveat here would be usage of 3G would increase once 3G handsets proliferate in the country.

2) We have built a model on 3G for India. We believe the country could have 89mn subscribers by 2015, who would spend ~Rs200/month more ARPU; i.e., US$4.7 billion p.a., thereby increasing India's weighted average ARPU by Rs8/month. The industry could gain US$1.6bn in EBITDA (Exhibit 10). Exhibit 11 shows the potential upside from 3G we expect for Bharti, RCOM and Idea. This could further lower ARPU reduction for the industry during F2010-15E from 27-28% to 19-20% in absolute terms.

3) The payback period for the 3G license, on our estimates, is 11-12 years, with an IRR of 11%, as 3G licenses in India have been won by existing operators (Exhibit 10). The IRR would have been lower at approximately 6% for new operators due to the lack of existing infrastructure and similarly relatively higher for the incumbents like Bharti. Having said that, with the debt already being raised for 3G most of the 3G EBITDA earned would trickle down to higher profits.

4) After the tariff war during June to December 2009, we have not seen any major tariff cuts by operators. The post paid tariffs have fallen in anticipation of mobile number portability and now the differential between prepaid and post has narrowed to 25%. Exhibit 13 shows the current tariff plans. The 3G tariffs of Tata's and RCOM seem to focus on an ensured minimum ARPU of Rs200-300/user per month, bundling minutes with data usage, where limited data usage is free. This should arrest fall in ARPUs as a bare minimum.

Exhibit 9

Indian Telecoms: Incremental 3G capex to be less than 2G capex

(US$/sub)

2G			3G		
Passive	Active	Total	Passive	Active	Total
60	40	100	20	60	80

Source: Company data, Morgan Stanley Research

Exhibit 10

Indian Telecoms: 3G scenario

(US$ mn)	F2012E	F2013E	F2014E	F2015E
Total 3G subs	44,267	67,492	78,201	88,925
% of overall wireless subs	5%	7%	8%	9%
3G ARPU	50	100	150	200
Incremental Blended ARPU	1	4	6	8
Incremental Revenues	582	1,775	3,085	4,677
Incremental EBITDA	204	621	1,080	1,637
3G Pay Back (Years)	***11***			
IRR	***11%***			

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 11

Indian Telecoms: 3G Scenarios by Operator

(US$ mn)	F2012E		F2013E	F2014E	F2015E
Bharti					
Total 3G subs ('000)	9,692		14,734	17,212	19,698
3G ARPU	50		100	150	200
Incremental Blended ARPU	3		8	13	19
Incremental Revenues	127		387	679	1,036
Incremental EBITDA	46		189	352	547
Incremental EBITDA Margin	36%		49%	52%	53%
Change in EBITDA	1%		3%	5%	7%
PAT	39		157	296	466
EPS	0.5		1.9	3.6	5.6
Change in EPS	2%		8%	12%	16%
IRR	12%				22%
Book Value of License (Rs/share)	41				
Additional DCF impact (Rs/share)	46	(not part of base case)			
Total 3G impact (Rs/share)	87				
RCOM					
Total 3G subs ('000)	7,715		10,969	12,142	13,415
3G ARPU	50		100	150	200
Incremental Blended ARPU	3		7	11	15
Incremental Revenues	101		288	479	706
Incremental EBITDA	15		119	239	350
Incremental EBITDA Margin	15%		41%	50%	50%
Change in EBITDA	1%		6%	10%	14%
PAT	13		100	207	312
EPS	0.3		2.2	4.6	6.9
Change in EPS	3%		18%	32%	42%
IRR	14%				15%
Book Value of License (Rs/share)	42				
Additional DCF impact (Rs/share)	19	(not part of base case)			
Total 3G impact (Rs/share)	61				
Idea					
Total 3G subs ('000)	5,671		8,945	10,464	11,948
3G ARPU	50		100	150	200
Incremental Blended ARPU	3		8	14	20
Incremental Revenues	75		235	413	628
Incremental EBITDA	18		90	175	256
Incremental EBITDA Margin	24%		38%	42%	41%
Change in EBITDA	2%		8%	14%	20%
PAT	15		77	154	232
EPS	0.2		1.1	2.1	3.2
Change in EPS	7%		28%	45%	62%
IRR	17%				13%
Book Value of License (Rs/share)	17				
Additional DCF impact (Rs/share)	25	(not part of base case)			
Total 3G impact (Rs/share)	42				

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 12

Indian Telecoms: Pre paid Voice Retentions Dip from Rs0.50 Levels to ~Rs0.35/min; Post paid 24% higher

	PREPAID										POSTPAID
	Bharti (Mumbai) Jun09	Vodafone (Mumbai) June09	Uninor (Dec 09) Rs 150 ARPU	Rs 100 ARPU	Sistema Mumbai (Dec 09) Higher usage	IDEA Orissa Dec09	RCOM All India Dec09	Bharti Tamil Nadu Dec09	Uninor May10	Tata Docomo Sep10	Vodafone
SIM Card Charge (Rs.)	50		49	49	49	25	49	49	49	49	
Entry into scheme (Rs)	99	99			149	8	51	45	49	14	-
Months of amortization	18	18	18	18	6	12	18	18	3	6	-
Monthly ARPU contribution (Rs.)	6	6	-	-	25	0.7	2.8	2.5	16.3	2.4	-
Coupon value	**99**	**99**	**150**	**100**	**100**	**100**	**100**	**101**	**101**	**100**	**-**
Less: Service Charge	9	9	11	11	9	9	9	10	10	10	70
ARPU from Consumer	90	90	139	89	91	91	91	91	91	90	683
Plus: Termination revenue	25	25	54	20	60	36	36	36	25	15	200
ARPU including incoming termination revenue	**121**	**121**	**193**	**108**	**176**	**127**	**130**	**129**	**132**	**107**	**883**
Admin Charge (% of Card Denomination)	**2.0%**	**2.0%**	**40.0%**	**60.0%**	**0.0%**	**2.0%**	**0.0%**	**0.0%**	**2.0%**	**1.9%**	**28.3%**
Admin Charges	2	2	60	60		2			2	2	250
Available Air Time	127	127	271	99	302	178	182	181	253	154	
Tariff (Rs/Local call)	0.69	0.69	0.29	0.29	0.30	0.50	0.50	0.50	0.35	0.60	0.43
Tariff (Rs/STD call)	1.00	1.00	0.49	0.49	0.60	0.50	0.50	0.50	0.50	0.30	1
Termination Rs/minute	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Outgoing minutes	127	127	271	99	302	178	182	181	253	154	1000
Incoming minutes	127	127	271	99	302	178	182	181	127	77	1000
Incoming/Outgoing Ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	1
Total Minutes	**253**	**253**	**542**	**198**	**604**	**356**	**364**	**362**	**380**	**231**	2000
Avg Revenue per minute (I+O) (Rs)	***0.48***	***0.48***	***0.36***	***0.55***	***0.29***	***0.36***	***0.36***	***0.36***	***0.35***	***0.46***	***0.44***
Avg Revenue per outgoing minute (Rs)	0.75	0.75	0.51	0.90	0.38	0.51	0.52	0.51	0.42	0.60	0.68
Avg Revenue per minute (I+O) (Cents)	1.0	1.0	0.7	1.1	0.6	0.7	0.7	0.7	0.7	1.0	0.9
Avg Revenue per outgoing minute (Cents)	1.6	1.6	1.1	1.9	0.8	1.1	1.1	1.1	0.9	1.2	1.4

Source: Company data, Morgan Stanley Research

Exhibit 13

India Telecoms: 3G Plans- Data bundled with voice virtually for no fee

Company	Price of Plan (Rs)	Free monthly minutes in plan	Free SMS	Value of SMS at current rates	3G Data included in plan (MB)	Value of Voice in 3G plan at current rates	Value of Data implied	Implied Rate Rs/Per MB (in GRPS plans)	Current Price Rs/Per MB in GPRS plans	Implied Data Discount in 3G plans
Tata	350	500			150	300	50	0.33	5	93%
Tata	500	750			250	450	50	0.20	5	96%
Tata	750	1,250			500	750	0	-	5	100%
Tata	1,000	2,000			1000	1200	-200	(0.20)	5	104%
Tata	2,000	5,000			2000	3000	-1000	(0.50)	5	110%
RCOM	299	300	200	100	200	180	19	0.10	5	98%
RCOM	699	600	600	300	500	360	39	0.08	5	98%

Source: Company data, Morgan Stanley Research

Improving Free Cash Flows

The biggest expenditure for the industry in the last few years has been the broadband and 3G auction which earned the government coffers US$23bn. However this meant the operators who paid these amounts ended up with a huge pile of debt, turning Free Cash Flow negative.

With the funding in the past, our analysis reveals the three big operators would have an average FCF yield of 7% in F2012, lowering their net debt to EBITDA and strengthening their balance sheet.

Bharti: In the short term Bharti has overall capex of US$14.7bn which includes US$8 billion for the Zain acquisition, US$2bn of domestic capex, US$1bn of Zain capex, and US$3.4bn capex for acquiring 3G and BWA license. This has led to net debt to EBITDA increasing to 2.8x; however, the very next year we expect Bharti to be FCF-positive, and so the net debt to EBITDA could be cut in almost half in two years (Exhibit 14).

Idea: In the short term, Idea has overall capex of US$2.1bn which includes US$0.8bn of domestic capex and US$1.3bn capex for acquiring 3G and BWA license. This has led to net debt to EBITDA increasing to 3.2x; however, the very next year we expect Idea to be FCF-positive. That could lower the net debt to EBITDA ratio to 1.75x by F2013 (Exhibit 15).

RCOM: The company has domestic capex of US$1.5bn in F11E, adding the 3G and BWA license fee of US$1.8bn, the net debt mounts to US$6.9bn. Net debt to EBITDA is thus highest at 4.6x in F11, reducing to 3.2bn by F2013E (Exhibit 16).

Exhibit 14

Bharti: We Expect Net Debt to EBITDA to Peak in F2011E

(USDmn)	F2010	F2011E	F2012E	F2013E	F2014E	F2015E
Capex						
Zain		800	929	779	779	779
Domestic	1,948	2,197	2,057	2,007	1,763	1,711
3G + BWA	-	3,432	-	-	-	-
Acquisition of Zain		8,300	700			
Overall Capex	**1,948**	**14,729**	**3,686**	**2,786**	**2,542**	**2,490**
EBITDA	**3,380**	**4,476**	**5,681**	**6,600**	**7,282**	**7,946**
Cash Flows from Operations	1,432	(10,253)	1,995	3,814	4,740	5,456
Net Debt	(270)	12,629	11,838	9,231	5,363	507
Net Debt to EBITDA	**(0.08)**	**2.82**	**2.08**	**1.40**	**0.74**	**0.06**
Net Debt / Equity	(0.03)	1.06	0.84	0.54	0.25	(0.01)
FCF	875	(10,671)	1,505	3,052	3,965	4,645
FCF Yield	**3%**	**-37%**	**5%**	**11%**	**14%**	**16%**

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 15

Idea: We Expect Net Debt to EBITDA to peak in F2011E

	F2010	F2011E	F2012E	F2013E	F2014E	F2015E
Capex						
Domestic business	936	789	1,031	689	708	751
3G + BWA	--	1,268	--		--	--
Overall Capex	**936**	**2,057**	**1,031**	**691**	**708**	**751**
EBITDA	**717**	**808**	**1,085**	**1,291**	**1,416**	**1,515**
Cash Flows from Operations	(219)	(1,248)	53	600	708	764
Net Debt	987	2,567	2,583	2,257	1,752	1,258
Net Debt to EBITDA	**1.38**	**3.17**	**2.38**	**1.75**	**1.24**	**0.83**
Net Debt / Equity	0.3	0.8	0.7	0.6	0.4	0.3
FCF	270	(1,406)	246	570	748	731
FCF Yield	**6%**	**-29%**	**5%**	**12%**	**15%**	**15%**

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 16

RCOM: Highest Net Debt/EBITDA of 4.6x (2011E)

(USDmn)	F2010	F2011E	F2012E	F2013E	F2014E	F2015E
Capex						
Domestic	1,276	1,460	1,650	1,453	1,186	1,048
3G + BWA	(47)	1,887	-	-	-	-
Overall Capex	**1,229**	**3,347**	**1,650**	**1,453**	**1,186**	**1,048**
EBITDA	**1,843**	**1,499**	**1,756**	**2,011**	**2,269**	**2,432**
Cash Flows from Operations	614	(1,848)	106	558	1,083	1,384
Net Debt	5,209	6,928	6,704	6,346	6,515	5,881
Net Debt to EBITDA	**2.83**	**4.62**	**3.82**	**3.16**	**2.87**	**2.42**
Net Debt / Equity	0.57	0.70	0.66	0.60	0.58	0.50
FCF		(1,889)	638	745	320	1,114
FCF Yield		**-30%**	**10%**	**12%**	**5%**	**18%**

Source: Company data, Morgan Stanley Research (E) estimates

Stock Ideas

Idea: Maintain Overweight; Top Pick

Target price reduced to Rs90/share: Idea is our favorite because it has the lowest subscriber per spectrum ratio of the top six operators and the lowest subscriber per Base Terminal Station.

We raise our F2012/13 and longer term EBITDA estimates by 2-3% due to better performance in the existing circles.

We roll forward our target price by one quarter and factor in potential regulatory charges amounting to US$799mn or Rs11/share on account of excess spectrum charges and cost of renewal of spectrum.

In the base case and our target price calculation we are including the 3G book value of Rs17/share, as against our estimates of Rs42/share assuming 14mn subscribers an incremental ARPU of Rs200/share, which would raise our EBITDA and earnings by average ~15% and ~50% by F2015.

Reiterate Overweight Recommendation on Bharti

We maintain our target price at Rs398: We reduce F2012/13 EBITDA estimates by 3-4 due to lower data EBITDA contribution. Lower other income and higher depreciation leads us to cut F11-13E profits by 10-15%.

We roll forward our target price by one quarter and factor in potential regulatory charges amounting to US$1.7bn or Rs20/share on account of excess spectrum charges and cost of renewal of spectrum.

In the base case and our target price calculation we are including the 3G book value of Rs41/share, as against our estimates of Rs87/share assuming 23mn subscribers an incremental ARPU of Rs200/share, which would raise our EBITDA and earnings by average ~5% and ~12% by F2015.

RCOM: Maintain Equal weight

Reduce target price to Rs147/share: We are lowering our EBITDA forecasts by 5-6% long term due to lower wireless and global EBITDA.

We roll forward our target price by one quarter and factor in potential regulatory charges amounting to US$361mn or Rs8/share on account of excess spectrum charges and cost of renewal of spectrum.

In the base case and our target price calculation we are including the 3G book value of Rs42/share, as against our estimates of Rs61/share assuming 15mn subscribers an incremental ARPU of Rs200/share, which would raise our EBITDA and earnings by average ~12% and ~35% by F2015.

The company has a net debt of US$6.9bn, making its net to EBITDA ratio a high 4.6x. It has stated its intention to restructure its net debt, raise equity or/and get strategic investor into the company, all of which would help the financial state of the company.

On valuations it trades at 0.6x book value, making it look interesting; however, due to muted wireless business EV/EBITDA stands at 8x, making it look unattractive.

OnMobile: The highest upside among our coverage

Sell-off is overdone: The stock has underperformed the BSE Sensex by ~50% in the last 12 months on regulatory uncertainty, as well stunted operational performance. In our view, both these events are highly unlikely in the future. We believe the Telecom Regulatory Authority of India (TRAI) would not implement a separate licensing regime on VAS providers, as it would lead to double counting. On the operational front we expect 6-8% sequential growth in EBITDA in the next couple of quarters.

With F11 the year of investment, behind us we estimate strong revenue, EBITDA, and PAT CAGR of 30%, 45%, and 47%, respectively, during F10-13.

We estimate Telefonica and Vodafone will together contribute 30% of OnMobile’s top line in F15 vs. a marginal contribution now. We expect the company’s global revenues to register 40%+ CAGR in F10-15 and contribute over 45% of revenues by F15, up from 19% now, given the contribution from Vodafone and Telefonica, as well as other VAS, including software. More importantly, global VAS generates higher margins than domestic VAS because a higher Average Revenue per User (ARPU) more than offsets higher costs. We expect OnMobile’s global EBITDA margin to move from negative territory now to 31% in F15. We see the global business contributing 46% of EBITDA in F15.

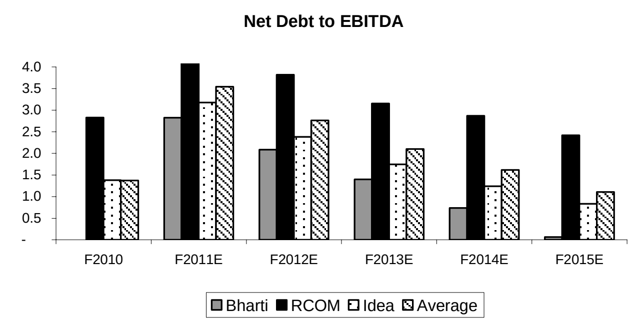
Unlocking Value of Towers Could Alleviate Debt Concerns

India's telco industry has started to move away from the traditional model of tower ownership and towards the model common in Europe and North America. Thus, India's telecom operators have hived off their tower assets with the objective of increasing infrastructure sharing, and reducing capex and overcapacity. Towers have been transferred to a Towerco, then the network operator leases back the towers from the Towerco and is an anchor tenant, and the Towerco can lease spare capacity to other operators. The value of the Towerco can then be realized by selling a stake in the company.

We estimate that the value of towers is equivalent to 21% and 46% of market cap for Bharti and Idea, respectively, and 64% of RCOM's EV. All these companies have hived off their tower assets into separate companies. They have mentioned consistently their intentions to reduce stakes over time, either through equity issuance or strategic sales.

Exhibit 17

Indian Telecoms: Net Debt to EBITDA



Source: Company data, Morgan Stanley Research (E) estimates

Idea owns ~26k towers through a two-layered structure

1) It directly owns around 8.8k towers

2) It owns 17k towers through its 16% ownership in Indus' 105k towers in the rest of the country. Indus – the joint venture between Bharti Infratel, Vodafone Essar, and Idea – was formed in 2007 to provide passive infrastructure to all mobile operators. Indus management and the JV partners said in October 2009 (the most recent statement) that they would look to list this company in the near to medium term.

We estimate a possible value for Idea's towers in Indus using DCF and use an EV/tower of 115k to value its directly-owned towers. The combined value for Idea's towers is US$2.3bn, or Rs31/share, 46% of its market cap; as shown in Exhibit 18. A partial sale of the tower business could provide a positive trigger and improve its balance sheet. This equates to an enterprise value of US$106K per tower, largely in line with current deals in the Indian markets.

Bharti owns 75k towers through 87%-owned Bharti Infratel. Bharti Infratel further owns towers through a two-layered structure: 1) It directly owns ~32k towers in seven of Bharti's circles; 2) It owns 45k towers through its 42% ownership in Indus' 105k towers in the rest of the country.

Our DCF value for Bharti's towers accounts for US$6.1bn, or Rs73/share – 21% of its market cap, as shown in Exhibit 19. Partial sale of Bharti's tower business could be a positive trigger as well as an improve balance sheet. This equates to an enterprise value of US$89K per tower, largely in line with current deals in the Indian markets, as shown in Exhibit 19.

RCOM owns 50k towers through its tower entity Reliance Infratel where it has 95% stake: Our DCF value for RCOM's towers account for US$6.3bn, or Rs139/share Enterprise Value, as shown in Exhibit 20. However, the company has Rs173bn of debt (Rs90/share, and hence the equity value falls to Rs49/share or US$2.3bn for RCOM's 95% stake. Partial sale of the tower business could create a positive stock trigger as well as improve the balance sheet.

Exhibit 18

Idea: Tower Values Equal to 46% of Market Cap

Idea directly owned towers	8,838
Indus Overall towers	106,438
Idea towers in Indus (16%)	17,030
Total Idea towers	25,868
Towerco Contribution to idea's base case (Rs/share)	31
Towerco Value (US$ bn)	2.3
Idea Mcap (US$ bn)	4.9
Towerco % of Overall Mcap	46%
EV/Tower	104,818

Source: Company data, Morgan Stanley Research

Exhibit 19

Bharti: Tower Values Equal to 21% of Market Cap

Bharti Infratel directly owned towers	31,831
Indus Overall towers	106,438
Bharti Infratel's towers in Indus (42%)	44,704
Total Bharti Infratel towers	76,535
Towerco Contribution to Bharti's base case (Rs/share)	73
Towerco Value (US$ bn)	6,137
Bharti Mcap (US$ bn)	29,204
Towerco % of Overall Mcap	21%
EV/Tower	88,963

Source: Company data, Morgan Stanley Research

Exhibit 20

RCOM: Tower Values Equal to 36% of Market Cap

RCOM Towers	50,000
Towerco Contribution to RCOM's base case (Rs/share)	49
Towerco Mcap (US$bn)	2,262
RCOM Mcap (US$bn)	6,353
Towerco % of Overall Mcap	36%

Source: Company data, Morgan Stanley Research

Exhibit 21

Indian Telecoms: Quarterly Operational and Financial Comparisons

(period ending)	F1Q09	F2Q09	F3Q09	F4Q09	F1Q10	F2Q10	F3Q10	F4Q10	F1Q11	F2Q11	F3Q11E	*QoQ Change*	*YoY change*
Wireless Subscribers ('000)													
Bharti	69,384	77,479	85,651	93,923	102,368	110,511	118,864	127,619	136,620	143,292	152,495	*6.4%*	*28.3%*
Vodafone Essar	49,195	54,625	60,933	68,769	76,450	82,846	91,402	100,858	109,061	115,553	124,288	*7.6%*	*36.0%*
RCOM	50,788	56,046	61,345	72,666	79,616	86,118	93,796	102,422	110,806	117,337	125,374	*6.8%*	*33.7%*
Idea including Spice	27,194	30,380	34,211	43,023	47,089	51,454	57,612	63,825	68,887	74,214	81,628	*10.0%*	*41.7%*
Tata Teleservices	26,330	29,336	31,764	35,122	37,124	46,796	57,329	65,942	72,535	79,072	84,379	*6.7%*	*47.2%*
BSNL	41,955	43,864	46,228	52,144	54,365	58,757	62,861	69,450	72,697	78,322	85,905	*9.7%*	*36.7%*
Aircel	11,925	13,878	16,076	18,478	21,799	25,729	31,024	36,861	41,680	46,515	49,958	*7.4%*	*61.0%*
Uninor	-	-	-	-	-	-	1,208	4,264	6,024	11,268	18,403	*63.3%*	*1423.3%*
Sistema	110	122	366	600	1,189	1,961	3,043	3,775	5,103	6,638	7,777	*17.2%*	*155.6%*
Remaining operators	9,988	9,583	10,320	7,035	7,296	7,555	8,009	9,306	12,093	15,499	21,671	*39.8%*	*170.6%*
All India	**286,868**	**315,312**	**346,894**	**391,761**	**427,295**	**471,726**	**525,148**	**584,323**	**635,505**	**687,710**	**751,879**	*9.3%*	*43.2%*
Wireless Net Adds ('000)													
Bharti	7,399	8,095	8,172	8,273	8,445	8,144	8,353	8,755	9,001	6,672	9,203	*37.9%*	*10.2%*
Vodafone Essar	5,069	5,430	6,308	7,836	7,681	6,396	8,556	9,456	8,202	6,492	8,735	*34.5%*	*2.1%*
RCOM	4,994	5,258	5,299	11,321	6,950	6,501	7,678	8,627	8,384	6,531	8,037	*23.1%*	*4.7%*
Idea including Spice	3,193	3,186	3,831	8,812	4,066	4,366	6,157	6,213	5,062	5,327	7,415	*39.2%*	*20.4%*
Tata Teleservices	2,000	3,006	2,428	3,358	2,002	9,672	10,533	8,613	6,593	6,537	5,307	*-18.8%*	*-49.6%*
BSNL	1,166	1,908	2,365	5,916	2,220	4,392	4,105	6,589	3,247	5,624	7,584	*34.8%*	*84.8%*
Aircel	1,314	1,953	2,198	2,403	3,320	3,930	5,295	5,837	4,818	4,836	3,443	*-28.8%*	*-35.0%*
Uninor	-	-	-	-	-	-	1,208	3,056	1,760	5,244	7,135	*36.1%*	*490.6%*
Sistema	3	12	244	234	589	771	1,082	732	1,328	1,536	1,139	*-25.9%*	*5.2%*
Remaining operators	652	(405)	738	(3,285)	261	259	454	1,297	2,787	3,407	6,171	*81.2%*	*1259.2%*
All India	**25,789**	**28,444**	**31,582**	**44,867**	**35,534**	**44,431**	**53,422**	**59,175**	**51,182**	**52,205**	**64,168**	*22.9%*	*20.1%*
ARPUs (Rs.)													
Bharti	350	331	324	305	278	252	230	220	215	202	196	*-3.0%*	*-14.8%*
RCOM	282	271	251	224	210	161	149	139	130	122	118	*-3.0%*	*-20.6%*
Idea including Spice	280	263	268	255	232	209	200	185	182	167	161	*-3.5%*	*-19.4%*
Tata Teleservices		234	223	206	166	150	120	125	122	116	NA		
BSNL		199	198	199	155	147	131	119	99	99	NA		
Aircel		198	183	173	149	134	124	120	113	105	NA		
Uninor							51	10	12	13	NA		
Sistema		321	255	174	124	57	85	79	81	83	NA		
Average (Bharti, RCOM, Idea)	**304**	**288**	**281**	**261**	**240**	**207**	**193**	**181**	**176**	**164**	**159**	*-3.2%*	*-17.9%*
% QoQ change	***-7.3%***	***-5.2%***	***-2.5%***	***-7.0%***	***-8.2%***	***-13.6%***	***-6.9%***	***-6.0%***	***-3.2%***	***-6.8%***	***-3.2%***		
ARPM (Rs)													
Bharti	0.66	0.63	0.64	0.63	0.58	0.56	0.52	0.47	0.45	0.44	0.44	*-1.7%*	*-15.2%*
RCOM	0.66	0.64	0.61	0.60	0.58	0.47	0.45	0.44	0.44	0.44	0.43	*-3.0%*	*-5.0%*
Idea	0.65	0.62	0.65	0.63	0.58	0.56	0.51	0.47	0.44	0.42	0.41	*-2.5%*	*-19.6%*
Uninor								0.51	0.41	0.39			
Sistema								0.43	0.40	0.41			
Average (Bharti, RCOM, Idea)	**0.66**	**0.63**	**0.64**	**0.62**	**0.58**	**0.53**	**0.49**	**0.46**	**0.44**	**0.44**	**0.43**	*-2.4%*	*-13.6%*
% QoQ change	***-8.3%***	***-3.8%***	***0.9%***	***-2.2%***	***-6.8%***	***-8.5%***	***-6.9%***	***-7.3%***	***-3.4%***	***-1.2%***	***-2.4%***		
MOU (Mins/sub/month)													
Bharti	534	526	505	485	478	450	446	468	480	454	448	*-1.3%*	*0.4%*
RCOM	424	423	410	372	365	340	330	318	295	276	276	*0.0%*	*-16.4%*
Idea	428	417	410	402	399	375	389	398	415	394	390	*-1.0%*	*0.3%*
Average (Bharti, RCOM, Idea)	**462**	**455**	**442**	**420**	**414**	**388**	**388**	**395**	**397**	**375**	**371**	*-0.9%*	*-4.4%*
% QoQ change	***2.8%***	***-1.4%***	***-3.0%***	***-5.0%***	***-1.4%***	***-6.2%***	***0.0%***	***1.6%***	***0.5%***	***-5.5%***	***-0.9%***		
Total Wireless Minutes													
Bharti	105,217	115,834	123,626	130,669	140,713	143,680	153,241	172,797	190,396	190,767	198,769	*4.2%*	*29.7%*
RCOM	62,000	67,800	72,100	74,800	83,300	84,500	89,000	93,500	94,400	94,600	100,483	*6.2%*	*12.9%*
Idea	33,087	36,315	40,254	44,224	48,729	50,339	57,841	68,275	82,274	84,828	91,167	*7.5%*	*57.6%*
Uninor								702	1,862	4,458	5,350	*20.0%*	
Sistema								1,790	2,663	3,522	4,227	*20.0%*	
Total	**252,653**	**276,694**	**297,586**	**314,969**	**344,517**	**354,654**	**383,254**	**428,307**	**470,279**	**475,073**	**390,419**	*-17.8%*	*1.9%*
Average (Bharti, RCOM, Idea)	**66,768**	**73,316**	**78,660**	**83,231**	**90,914**	**92,840**	**100,027**	**111,524**	**122,357**	**123,398**	**130,140**	*5.5%*	*30.1%*
% QoQ change	***15.5%***	***9.8%***	***7.3%***	***5.8%***	***9.2%***	***2.1%***	***7.7%***	***11.5%***	***9.7%***	***0.9%***	***5.5%***		
Consolidated EBITDA Margins (net)													
Bharti	41.5%	41.0%	41.0%	40.7%	41.3%	41.4%	39.6%	38.0%	36.1%	33.7%	33.5%	*-17 bps*	*-612 bps*
RCOM	42.3%	40.8%	40.2%	38.9%	39.9%	35.4%	34.1%	31.5%	31.9%	32.4%	33.0%	*61 bps*	*-111 bps*
Idea	32.9%	26.2%	25.5%	27.6%	28.9%	27.2%	25.9%	27.6%	24.3%	24.0%	24.1%	*8 bps*	*-175 bps*
Average	***38.9%***	***36.0%***	***35.6%***	***35.7%***	***36.7%***	***34.7%***	***33.2%***	***32.3%***	***30.8%***	***30.0%***	***30.2%***	***17 bps***	***-299 bps***
Wireless EBITDA Margin(%)													
Bharti (India + SA)	30.7%	30.2%	31.4%	31.5%	40.7%	31.2%	30.4%	29.2%	35.9%	35.2%	34.6%	*-57 bps*	*423 bps*
RCOM	40.4%	38.9%	37.7%	36.9%	38.6%	32.7%	31.2%	28.9%	28.9%	29.1%	29.3%	*25 bps*	*-186 bps*
Idea	32.9%	26.3%	25.7%	25.9%	26.4%	24.7%	23.0%	24.7%	21.5%	20.7%	20.8%	*12 bps*	*-218 bps*
Average	***34.7%***	***31.2%***	***30.2%***	***30.1%***	***32.5%***	***28.3%***	***28.1%***	***27.7%***	***28.6%***	***28.3%***	***28.2%***	***-7 bps***	***12 bps***
QoQ Revenue Growth													
Bharti	8.5%	6.3%	6.8%	2.0%	6.0%	-0.3%	-0.7%	4.3%	13.8%	24.4%	4.2%	*-2015 bps*	*495 bps*
RCOM	0.2%	6.1%	3.6%	4.7%	0.4%	-7.2%	-6.9%	-4.1%	0.3%	0.2%	2.6%	*239 bps*	*945 bps*
Idea	10.2%	5.8%	18.8%	7.8%	1.1%	0.0%	5.9%	6.3%	9.1%	0.2%	5.1%	*497 bps*	*-79 bps*
Average	***6.3%***	***6.1%***	***9.7%***	***4.8%***	***2.5%***	***-2.5%***	***-0.6%***	***2.2%***	***7.7%***	***8.2%***	***4.0%***	***-427 bps***	***454 bps***
QoQ EBITDA Growth													
Bharti	8.3%	5.0%	6.6%	1.4%	7.4%	0.1%	-5.1%	0.0%	8.1%	16.0%	3.7%	*-1229 bps*	*881 bps*
RCOM	-2.9%	2.3%	2.2%	1.3%	2.9%	-17.6%	-10.3%	-11.6%	1.9%	1.7%	4.5%	*281 bps*	*1475 bps*
Idea	8.4%	-15.9%	15.7%	16.5%	5.8%	-5.7%	0.6%	13.4%	-3.8%	-1.1%	5.5%	*654 bps*	*490 bps*
Average	***4.6%***	***-2.9%***	***8.2%***	***6.4%***	***5.4%***	***-7.8%***	***-4.9%***	***0.6%***	***2.1%***	***5.5%***	***4.6%***	***-98 bps***	***949 bps***
QoQ PAT Growth													
Bharti	9.3%	1.1%	5.5%	3.7%	10.3%	-8.2%	-5.1%	-7.5%	-36.5%	31.4%	-21.7%	*-5311 bps*	*-1664 bps*
RCOM	0.6%	1.2%	-7.9%	3.1%	12.5%	-54.8%	49.6%	10.1%	-79.4%	77.8%	-14.2%	*-9196 bps*	*-6385 bps*
Idea	-4.8%	-45.3%	52.3%	16.2%	16.5%	-25.9%	-22.7%	56.7%	-24.5%	-10.8%	14.5%	*2521 bps*	*3719 bps*
Average	***1.7%***	***-14.3%***	***16.7%***	***7.7%***	***13.1%***	***-29.6%***	***7.3%***	***19.8%***	***-46.8%***	***32.8%***	***-7.1%***	***-3995 bps***	***-1443 bps***

E = Morgan Stanley Research Estimates
Source: Company data, Morgan Stanley Research

Exhibit 22

Idea: F3Q11 Estimates

Rs.Mn (Period Ending)	**F3Q11E *31-Dec-10***	**F3Q10 *31-Dec-09***	***YoY change %***	**F2Q11 *30-Sep-10***	***QoQ change %***
Total Revenues	**38,464**	**31,495**	***22.1%***	**36,592**	***5.1%***
EBITDA	**9,269**	**8,141**	***13.8%***	**8,788**	***5.5%***
Net Finance Costs	1,038	938	*10.7%*	1,028	*1.0%*
Depreciation and Amortization	5,995	5,131	*16.8%*	5,820	*3.0%*
Other Income	--	--	*NM*	--	*NM*
PBT	**2,236**	**2,073**	*7.9%*	**1,940**	*15.2%*
Tax	179	372	*-51.9%*	143	*25.2%*
PAT	**2,057**	**1,701**	***20.9%***	**1,797**	***14.5%***
Ratios (as % of Income)					
OPM	24.1%	25.9%	*-175 bps*	24.0%	*8 bps*
Tax % of PBT	8.0%	17.9%	*-994 bps*	7.4%	*64 bps*
Operational Parameters					
Wireless Subs ('000)	81,628	57,612	*42%*	74,214	*10%*
Wireless Net Adds ('000)	7,415	6,157	*20%*	5,327	*39%*
Wireless ARPU (Rs/Sub/Month)	161	200	*-19.4%*	167	*-3.5%*
Average Revenue Per Minute (Rs)	0.41	0.51	*-19.6%*	0.42	*-2.5%*
Minutes of Use (Min/Sub/month)	390	389	*0.3%*	394	*-1.0%*
Overall Minutes (mn)	91,167	57,841	*57.6%*	84,828	*7.5%*
Revenues					
Existing 8 Circles	30,439	24,566	*24%*	29,128	*4%*
New 3 Circles	4,576	3,660	*25%*	4,379	*4%*
Existing 8 + 3 Circles	35,015	28,226	*24%*	33,507	*5%*
New Rest Of India Circles	3,655	2,384	*53%*	3,384	*8%*
Passive	2,977	2,216	*34%*	2,777	*7%*
Overall Wireless	38,670	32,100	*20%*	36,891	*5%*
Consol Revenues	38,464	31,494	*22%*	36,593	*5%*
EBITDA					
Existing 8 Circles	9,132	8,381	*9%*	8,740	*4%*
New 3 Circles	309	110	*181%*	307	*1%*
Existing 8 + 3 Circles	9,441	8,491	*11%*	9,047	*4%*
New Rest Of India Circles	(1,407)	(1,288)	*9%*	(1,429)	*-2%*
Passive	1,235	771	*60%*	1,170	*6%*
Overall Wireless	8,033	7,370	*9%*	7,618	*5%*
Consol EBITDA	9,269	8,141	*14%*	8,788	*5%*
EBITDA Margins					
Existing 8 Circles	30.0%	34.1%	*-412 bps*	30.0%	*-1 bps*
New 3 Circles	6.8%	3.0%	*375 bps*	7.0%	*-25 bps*
Existing 8 + 3 Circles	27.0%	30.1%	*-312 bps*	27.0%	*-4 bps*
New Rest Of India Circles	-38.5%	-54.0%	*1553 bps*	-42.2%	*373 bps*
Passive	41.5%	34.8%	*671 bps*	42.1%	*-63 bps*
Overall Wireless	20.8%	23.0%	*-218 bps*	20.7%	*12 bps*
Consol EBITDA Margin	24.1%	25.8%	*-175 bps*	24.0%	*8 bps*

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 23

Bharti: F3Q11 Estimates

	F3Q11E	F3Q10	% Chg	F2Q11	% Chg
(period ending)	*31-Dec-10*	*31-Dec-09*	*YoY*	*30-Sep-10*	*QoQ*
Net Revenues	**158,609**	**103,053**	**53.9%**	**152,150**	**4.2%**
EBITDA	**53,123**	**40,823**	**30.1%**	**51,212**	**3.7%**
Pre-Operating Costs	2,500	44	5581.8%	3	83233.3%
Net Finance Costs	6,555	(266)	-2564.3%	3,318	97.5%
Depreciation & Amortization	26,790	15,881	68.7%	25,790	3.9%
Non Operating Income	200	182	9.9%	169	18.3%
PBT	**17,478**	**25,336**	**-31.0%**	**22,267**	**-21.5%**
Tax	4,370	2,980	46.6%	5,678	-23.0%
Minority Interest	100	407	-75.4%	(23)	-534.8%
PAT After Minority Interest/Associates	**13,009**	**21,949**	**-40.7%**	**16,612**	**-21.7%**
Tax % of PBT	25.0%	11.8%	**112.6%**	25.5%	**-2.0%**
Overall EBITDA Margins (Gross)	30.1%	32.7%	(264 bps)	30.1%	(5 bps)
Overall EBITDA Margins (Net)	33.5%	39.6%	(612 bps)	33.7%	(17 bps)
Operational Parameters					
India					
Wireless Subs ('000)	152,495	118,864	28.3%	143,292	6.4%
Wireless Net Adds('000)	9,203	8,353	10.2%	6,672	37.9%
Wireless ARPUs (Rs/Month)	196	230	-14.8%	202	-3.0%
Wireless MoUs (Per Month)	448	446	0.4%	454	-1.3%
Wireless ARPM (Rs/min)	0.44	0.52	-15.2%	0.44	-1.7%
Revenue Break-Up					
Wireless	91,342	79,618	14.7%	88,045	3.7%
Wireless Domestic	89,314	79,618	12.2%	86,086	3.8%
Wireless Global	2,028	-		1,959	3.5%
Zain	40,725	-		38,906	4.7%
Fixed line	9,300	8,550	8.8%	9,118	2.0%
Enterprise	4,919	4,371	12.6%	4,776	3.0%
Long Distance	5,817	16,175	-64.0%	5,648	3.0%
Passive Infrastructure Services	21,961	9,267	137.0%	21,161	3.8%
Others	2,486	1,414	75.8%	2,260	10.0%
Inter-division eliminations	(17,942)	(21,673)	-17.2%	(17,764)	1.0%
Total Consol Revenues	**158,609**	**97,722**	62.3%	**152,150**	4.2%
Total Ex-Zain	117,884	97,722	20.6%	113,244	4.1%
EBITDA Break-Up					
Wireless	31,605	24,178	30.7%	30,964	2.1%
Wireless Domestic	31,706	24,178	31.1%	31,062	2.1%
Wireless Global	(101)	-		(98)	3.5%
Zain	10,181	-		9,311	9.3%
Fixed line	3,953	3,944	0.2%	4,200	-5.9%
Enterprise	2,066	2,772	-25.5%	2,006	3.0%
Long Distance	582	7,263	-92.0%	565	3.0%
Passive Infrastructure Services	8,126	4,269	90.3%	7,858	3.4%
Others	(2,732)	(2,475)	10.4%	(3,036)	-10.0%
Inter-division eliminations	(657)	(839)	-21.7%	(657)	0.0%
Total Consol EBITDA	**53,123**	**39,112**	35.8%	**51,211**	3.7%
Total Ex-Zain	42,942	39,112	9.8%	41,900	2.5%
EBITDA Margins					
Wireless	34.6%	30.4%	423 bps	35.2%	(57 bps)
Wireless Domestic	35.5%	30.4%	513 bps	36.1%	(58 bps)
Wireless Global	-5.0%			-5.0%	-
Zain	25.0%			23.9%	107 bps
Fixed line	42.5%	46.1%	(363 bps)	46.1%	(356 bps)
Enterprise	42.0%	63.4%	(2,142 bps)	42.0%	-
Long Distance	10.0%	44.9%	(3,490 bps)	10.0%	-
Passive Infrastructure Services	37.0%	46.1%	(907 bps)	37.1%	(13 bps)
Others	-109.9%	-175.0%	NM	-134.3%	NM
Inter-division eliminations	3.7%	3.9%	(21 bps)	3.7%	(4 bps)
Total Consol EBITDA Margins	33.5%	40.0%	(653 bps)	33.7%	(17 bps)

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 24
RCOM: F3Q11 Estimates

Rs mn	F3Q11E	F3Q10	YoY Change	F2Q11	QoQ Change
(period ending)	*31-Dec-10*	*31-Dec-09*	*%*	*30-Sep-10*	*%*
Gross Revenues	**72,500**	**70,248**	***3.2%***	**70,605**	***2.7%***
Eliminations	20,005	17,151	*16.6%*	19,422	*3.0%*
Net Revenues	**52,495**	**53,097**	***-1.1%***	**51,183**	***2.6%***
Total Operating Expenses	-	34,971	*-100.0%*	34,588	*-100.0%*
EBITDA	**17,341**	**18,126**	***-4.3%***	**16,595**	***4.5%***
Net Interest	3,297	(4,075)	***-180.9%***	2,797	***17.9%***
Depreciation and Amortization	9,840	8,331	*18.1%*	9,553	*3.0%*
PBT	**4,204**	**13,870**	***-69.7%***	**4,245**	***-1.0%***
Tax	378	2,003	*-81.1%*	(661)	*-157.2%*
PAT	**3,826**	**11,867**	***-67.8%***	**4,906**	***-22.0%***
Share of Minority /Associates	-	570	*-100.0%*	447	*-100.0%*
PAT after Minority/Associates	**3,826**	**11,077**	***-65.5%***	**4,459**	***-14.2%***
Revenue Breakup					
Wireless	42,757	40,225	*6.3%*	41,613	*2.8%*
Global	18,943	19,818	*-4.4%*	18,391	*3.0%*
Broadband	6,816	7,045	*-3.3%*	6,617	*3.0%*
Others	3,984	3,160	*26.1%*	3,984	*0.0%*
Interdivision revenues	20,005	17,151	*16.6%*	19,422	*3.0%*
Total Net revenues	**52,495**	**53,097**	***-1.1%***	**51,183**	***2.6%***
EBITDA Breakup					
Wireless	12,539	12,545	*-0.1%*	12,101	*3.6%*
Global	3,590	4,194	*-14.4%*	3,393	*5.8%*
Broadband	2,555	2,755	*-7.2%*	2,481	*3.0%*
Others	(1,343)	(1,250)	*7.4%*	(1,343)	*0.0%*
Elimination	-	(118)	*-100.0%*	(37)	*-100.0%*
Total EBITDA	**17,341**	**18,126**	***-4.3%***	**16,595**	***4.5%***
EBITDA Margins					
Wireless	29.3%	31.2%	*(186 bps)*	29.1%	*25 bps*
Global	18.9%	21.2%	*(221 bps)*	18.4%	*50 bps*
Broadband	37.5%	39.1%	*(161 bps)*	37.5%	-
Overall EBITDA Margins (Net)	**33.0%**	**34.1%**	***(110 bps)***	**32.4%**	***61 bps***
Overall EBITDA Margins (Gross)	**23.9%**	**25.8%**	***(188 bps)***	**23.5%**	***41 bps***
Operational Parameters					
Wireless Subscribers ('000)	125,374	93,796	*33.7%*	117,337	*6.8%*
Wireless Net Adds ('000)	8,037	7,678	*4.7%*	6,531	*23.1%*
Wireless ARPU(Rs/sub)	118	149	*-20.6%*	122	*-3.0%*
Wireless MOU per customer/month	276	330	*-16.4%*	276	*0.0%*
Wireless ARPM (Rs/minute)	0.429	0.45	*-5.0%*	0.442	*-3.0%*

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 25

OnMobile: F3Q11 Estimates

(Rs mn)	F3Q11E	F3Q10	% Chg	F2Q11	% Chg
(period ending)	*31-Dec-10*	*31-Dec-09*	*YoY*	*30-Sep-10*	*QoQ*
Total Revenues	**1,417**	**1,155**	**22.7%**	**1,315**	**7.7%**
Telecom Value Added Services	1,395	1,028	35.7%	1,294	7.8%
Other Services	22	127	-82.5%	21	5.0%
Total Expenditure	1,119	924	21.2%	1,037	8.0%
Content Fee and Royalty	289	219	31.9%	272	6.1%
Other Sales and Services	79	115	-31.5%	73	7.7%
Employee Cost	459	377	21.8%	426	7.7%
Other Expenditure (SG and A)	293	213	37.5%	265	10.4%
Operating Profit	**298**	**231**	**29.0%**	**279**	**6.8%**
Other Income	23	53	-56.5%	115	-79.9%
Interest	2	1	128.6%	2	0.0%
Depreciation	138	113	22.4%	129	7.7%
PBT	**181**	**170**	**6.2%**	**264**	**-31.5%**
Total Tax	30	44	-32.1%	44	-31.5%
PAT	**151**	**126**	**19.6%**	**220**	**-31.5%**
Minority Interest	-	-	NM	-	NM
Share in Profit/ (Loss) of Associates	8	6	45.5%	8	0.0%
Consolidated Profit	**159**	**132**	**20.7%**	**228**	**-30.4%**
% of Revenue					
Content Fee and Royalty	20%	19%	1.4%	21%	-0.3%
Other Sales and Services	6%	10%	-4.4%	6%	0.0%
Employee Cost	32%	33%	-0.3%	32%	0.0%
Other Expenditure (SG and A)	21%	18%	2.2%	20%	0.5%
Operating Margins	21%	20%	1.0%	21%	-0.2%
Net Margins	11%	11%	-0.2%	17%	-6.1%
Effective Tax Rate	17%	26%	-9.3%	17%	0.0%
Segmental					
Core Revenues	1,372	1,130	21.5%	1,279	7.3%
Core EBITDA	439	312	40.7%	409	7.3%
Core EBITDA Margins	32%	28%	15.8%	32%	0.0%
New Investment Revenues	45	25	78.4%	37	23.0%
New Investment EBITDA	(141)	(81)	74.2%	(130)	8.3%
Geographical					
India Revenues	1,088	820	32.6%	1,017	7.0%
Global Revenues	329	334	-1.6%	299	10.3%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 26

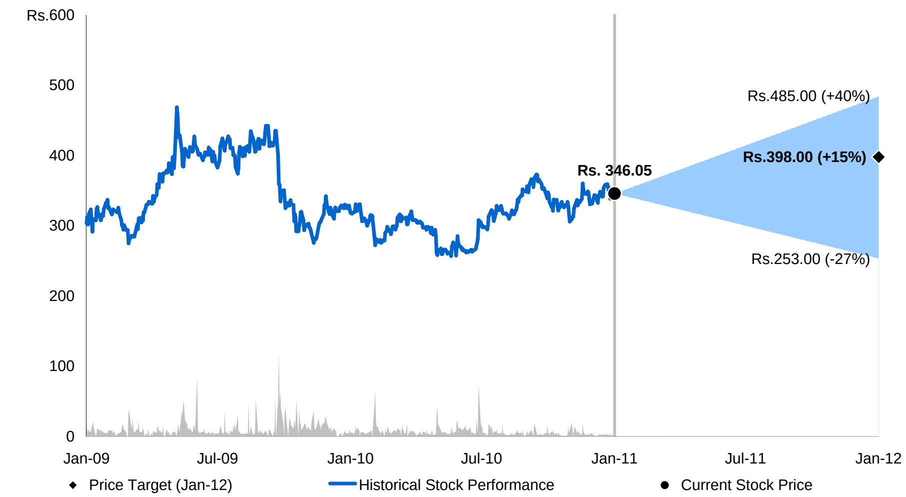
Indian Telecoms: New Operators Gained Revenue Market Share in F2Q11

	Sep-10							Jun-10				
	Wireless Subs ('000)	**Wireless Market Share**	**Wireless Revenue (Rs mn)**	**Revenue Market Share**	**Gap between Rev MS and Subs MS**	***QoQ change in Subs MS***	***QoQ change in Rev MS***	**Wireless Subs ('000)**	**Wireless Market Share**	**Wireless Revenue (Rs mn)**	**Revenue Market Share**	**Gap between Rev MS and Subs MS**
Bharti	143,292	20.8%	82,531	28.2%	7.40%	-0.66%	-0.87%	136,620	21.5%	84,236	29.1%	7.60%
RCOM	117,337	17.1%	41,613	14.2%	-2.83%	-0.37%	-0.11%	110,806	17.4%	41,528	14.3%	-3.09%
BSNL	78,336	11.4%	22,350	7.6%	-3.75%	-0.05%	0.35%	72,697	11.4%	21,111	7.3%	-4.15%
Vodafone	115,553	16.8%	61,611	21.1%	4.27%	-0.36%	-0.11%	109,061	17.2%	61,332	21.2%	4.02%
Idea	74,214	10.8%	37,173	12.7%	1.92%	-0.05%	-0.20%	68,887	10.8%	37,404	12.9%	2.08%
Tata	79,072	11.5%	26,297	9.0%	-2.50%	0.08%	0.27%	72,535	11.4%	25,274	8.7%	-2.68%
Aircel	46,515	6.8%	13,951	4.8%	-1.99%	0.21%	0.17%	41,680	6.6%	13,323	4.6%	-1.96%
MTNL	5,304	0.8%	1,679	0.6%	-0.20%	-0.05%	0.04%	5,211	0.8%	1,534	0.5%	-0.29%
Loop	2,984	0.4%	1,673	0.6%	0.14%	-0.03%	0.00%	2,927	0.5%	1,655	0.6%	0.11%
HFCL	1,023	0.1%	334	0.1%	-0.03%	0.04%	0.02%	668	0.1%	260	0.1%	-0.02%
Sistema Shyam	6,638	1.0%	1,461	0.5%	-0.47%	0.16%	0.13%	5,103	0.8%	1,078	0.4%	-0.43%
Unitech	11,268	1.6%	1,481	0.5%	-1.13%	0.69%	0.29%	6,024	0.9%	641	0.2%	-0.73%
Stel	1,642	0.2%	178	0.1%	-0.18%	0.03%	0.02%	1,327	0.2%	118	0.0%	-0.17%
Videocon	4,482	0.7%	-	0.0%	-0.65%	0.35%	0.00%	1,942	0.3%	-	0.0%	-0.31%
Etisalat DB	57	0.0%	6	0.0%	-0.01%	0.01%	0.00%	18	0.0%	2	0.0%	0.00%
All Operators	**687,718**		**292,337**					**635,505**		**289,495**		
QoQ Change	**8.2%**		**1.0%**					**8.8%**		**4.4%**		

Source: Cellular Operators Association of India (COAI), Association of Unified Service Providers of India (AUSPI), Telecom Regulatory Authority of India (TRAI), Company data, Morgan Stanley Research

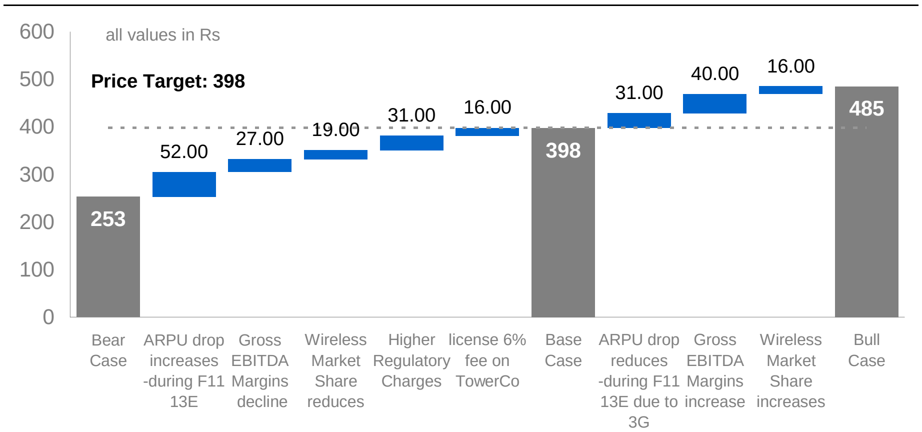
Risk-Reward Snapshot: Bharti Airtel (BRTI.BO, Rs346.05, OW, PT Rs398)

Risk-Reward Still Favorable After Recent Strength



Price Target Rs398		DCF-based Sum-of-the-Parts Valuation
Bull Case Rs485	At par with bull case SOTP	**Less intense competition:** 1) 2% p.a. decline in ARPU for F2011-13E largely driven by 3G; 2) long-term gross EBITDA margin increases by 250bp to 36.7% by F2013E; and 3) wireless market share increases by 100bps to 21.9% by F2013E.
Base Case Rs398	At par with base case SOTP	**Strong operational performance:** Annual decline of 4.3% p.a. decline in ARPU for F2011-13E as the company expands in rural India; overall gross EBITDA margin stabilizes at 34.2% by F2013E.
Bear Case Rs253	At par with bear case SOTP	**Intensifying competition affects operations:** Competition leads to a 7% annual decline in ARPU during F2011-13E; gross EBITDA margin declines by 200bp to 32.2% by F2013E; wireless market share falls by 115bps to 19.8% by F2013E; excess spectrum charge of US$2.6bn, 6% Towerco license fee.

Bear to Bull: ARPU and EBITDA Margins Are Keys



Source: Morgan Stanley Research, FactSet

Investment Thesis

- Bharti is the leading wireless operator in India, the world's fastest-growing telecom market.
- It has a strong share of the wireless revenue market and enjoys economies of scale.
- Its integrated strategy is beneficial in a deteriorating wireless environment.

Key Value Drivers

- Bharti turning FCF positive in F2012E.
- Improvement in EBITDA margins, driven by economies of scale and improvement in wireless business margins.
- Strong revenue market share.

Potential Catalysts

- Unlocking value in the tower business through listing, strategic sale.
- License fee reduction for the industry as a whole.

Downside Risks

- Higher-than-expected fall in tariffs due to aggressive pricing from new operators to gain subscribers.
- Regulatory uncertainty regarding spectrum and Bharti's need to pay additional spectrum charges.

Bharti: Financial Summary

Income Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Wireline	34,154	36,683	37,608	37,073
Wireless	324,872	492,440	598,668	660,014
Domestic Wireless	323,723	352,876	396,520	419,204
Global Wireless	1,149	7,723	9,109	9,922
Zain	-	131,841	193,039	230,888
Long distance - Domestic	51,230	5,434	7,027	8,495
Long distance - International	14,641	17,560	19,700	22,853
Data	17,726	19,571	34,512	42,039
Passive	35,425	86,375	99,984	115,909
Others	**5,825**	**10,000**	**-**	**-**
Gross Revenues	**483,873**	**668,063**	**797,499**	**886,382**
Eliminations	(88,698)	(70,938)	(77,256)	(80,047)
Net Revenues	**395,175**	**597,125**	**720,243**	**806,336**
EBITDA	**160,521**	**203,578**	**259,241**	**303,581**
Depreciation	57,621	96,687	119,072	130,504
Amortization	2,836	4,397	10,641	10,641
Non Operating Income	1,094	931	5,219	8,775
Interest Expenses	(5,784)	21,643	31,533	28,700
Profit before Tax	**107,234**	**79,281**	**103,214**	**142,512**
Income Tax	13,959	18,343	23,500	38,883
Profit after Tax	**93,275**	**60,938**	**79,714**	**103,628**
Minority Interest	1,996	598	5,275	9,527
Consolidated Net Profit	**91,279**	**60,340**	**74,440**	**94,101**

Balance Sheet

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Share Capital	18,988	18,988	18,988	18,988
Share Premium	97,741	97,741	97,741	97,741
Reserves & Surplus	297,051	353,547	428,441	524,417
Shareholders' Funds	**413,697**	**470,276**	**545,170**	**641,146**
Deferred Tax Liability	(9,442)	(9,442)	(9,442)	(9,442)
Loan Funds	**64,619**	**550,261**	**549,767**	**525,959**
Minority Interest	28,489	29,087	34,362	43,889
Other Non-Current Liabilities	8,645	9,472	10,415	10,949
TOTAL LIABILITIES	**506,008**	**1,049,655**	**1,130,271**	**1,212,502**
Net Block	423,838	712,226	728,586	726,613
Capital Work in Progress	19,970	20,089	21,779	23,490
Net Fixed Assets	**443,808**	**732,315**	**750,365**	**750,102**
Goodwill	36,771	159,567	191,924	193,171
License Fee	5,879	5,197	4,515	3,833
Other Non-Current Assets	20,139	174,403	166,348	158,093
Investments	172	172	172	172
Current Assets	129,519	104,219	144,853	244,611
Cash & Marketable Securities	77,426	53,159	91,205	181,488
Current Liabilities	130,280	126,219	127,906	137,481
Net Current Assets	**(761)**	**(22,000)**	**16,946**	**107,130**
TOTAL ASSETS	**506,008**	**1,049,655**	**1,130,271**	**1,212,502**

Ratio Analysis

	F2010	F2011E	F2012E	F2013E
Valuation				
EPS	24.0	15.9	19.6	24.8
Book Value	108.9	123.8	143.6	168.8
Dividend Per Share	1.0	1.0	1.1	1.7
CEPS	38.3	42.7	55.1	64.5
P/E	14.4	21.8	17.7	14.0
P/CEPS	9.0	8.1	6.3	5.4
P/BV	3.2	2.8	2.4	2.0
Dividend Yield	0.3%	0.3%	0.3%	0.5%
EV/EBITDA	8.1	9.3	7.2	5.7
FCF Yield	3.2%	-36.9%	5.2%	10.7%
Profitability				
EBITDA Margin (Net Revenues)	40.6%	34.1%	36.0%	37.6%
EBITDA Margin (Gross Revenues)	33.2%	30.5%	32.5%	34.2%
Net Margin	18.9%	9.0%	9.3%	10.6%
RONW (%)	25.4%	13.7%	14.7%	15.9%
ROCE (%)	21.9%	13.9%	13.3%	15.5%
Gearing				
Debt/Equity	0.16	1.17	1.01	0.82
Net Debt / Equity	-0.03	1.06	0.84	0.54

E = Morgan Stanley Research estimates
Source: Company data; Morgan Stanley Research

Cash Flow Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Profit/(Loss) before tax	107,234	79,281	103,214	142,512
Depreciation	57,621	96,687	119,072	130,504
Amortization	2,836	4,397	10,641	10,641
Direct Taxes Paid	(22,145)	(18,343)	(23,500)	(38,883)
Changes in Working Capital	11,925	(3,029)	(900)	100
Operating Cash Flows	**148,939**	**180,637**	**240,060**	**273,572**
Purchase/(Sale) of Fixed Assets	92,293	385,194	137,122	130,241
Intangibles (incl. Goodwill)	15,147	278,895	32,357	1,247
Investing Cash Flows	**(107,370)**	**(665,970)**	**(171,383)**	**(133,191)**
Repayment of Long Term Debt	(54,182)	485,642	(494)	(23,808)
Change in Shareholders Equity	41,444	681	5,275	9,527
Change in Other Non-Current Liabilities	(1,919)	827	942	535
Dividends Paid	(3,796)	(3,796)	(4,120)	(6,540)
Dividend Tax	(645)	(645)	(700)	(1,112)
Financing Cash Flows	**(13,309)**	**461,065**	**(30,631)**	**(50,098)**
Net change in Cash & Cash Eqv	28,260	(24,267)	38,046	90,283
Cash & Marketable Securities				
Beginning Cash balance	49,166	77,426	53,159	91,205
Ending Cash Balance	77,426	53,159	91,205	181,488

Bharti (BRTI.BO, Rs346.05, OW, PT Rs398)

Investment Thesis: Why Are We Overweight

- Strong revenue market share in the domestic wireless space
- Zain acquisition overhang behind us
- Increasing FCF yield

Exhibit 27

Bharti: What's changed?

	F2010E	F2011E	F2012E	F2013E
EBITDA Contribution (Gross)				
New				
Data	9,549	8,214	11,497	14,425
Total EBITDA	160,521	203,578	259,241	303,581
Old				
Data	9,549	8,176	15,897	20,916
Total EBITDA	160,521	206,025	274,422	309,440
Change				
Data	*0%*	*0%*	*-28%*	*-31%*
Total EBITDA	*0%*	*-1%*	*-6%*	*-2%*
Depreciation (Rs millon)				
New	57,621	96,687	119,072	130,504
Old	58,335	96,729	115,422	124,266
Change	*-1%*	*0%*	*3%*	*5%*
Other Income (Rs millon)				
New	1,094	931	5,219	8,775
Old	1,094	3,818	5,142	8,640
Change	*0%*	*-76%*	*1%*	*2%*
PBT				
New	107,234	79,281	103,214	142,512
Old	107,234	87,310	122,883	156,380
Change	*0.0%*	*-9.2%*	*-16.0%*	*-8.9%*
Net profit				
New	91,279	60,340	74,440	94,101
Old	91,279	67,078	87,421	105,652
Change	*0.0%*	*-10.0%*	*-14.8%*	*-10.9%*
PAT+Depreciation				
New	148,900	157,027	193,511	224,605
Old	149,614	163,807	202,844	229,917
Change	*0%*	*-4%*	*-5%*	*-2%*
EPS				
New	24.0	15.9	19.6	24.8
Old	24.0	17.7	23.0	27.8
Change	*0.0%*	*-10.1%*	*-14.9%*	*-11.0%*

Source: Company data, Morgan Stanley Research Estimates

Valuation Methodology

For our bear-, base-, and bull-case scenarios, we use a sum-of-the-parts methodology, which adds discounted cash flow (DCF) value for Bharti's core business, 3G book value and value derived from its tower business and net accrual from Zain acquisition.

Bharti's core business value remains at the midpoint of the value derived from our DCF calculation on a one-year forward basis, assuming a terminal growth rate of 3% and cost of capital of 12%, as shown in Exhibit 29. Based on our revised profit estimates and a one-quarter forward rollover, we arrive at our new core business enterprise value of Rs363/share.

Since in our base case we do not include any revenue upside due to 3G, we add back the book value of the 3G license to the net debt for the company. This equates to Rs41/share.

We base our valuation of Bharti's tower business on our DCF of the company's seven circles as well as its ownership in Indus to arrive at a value of US$89k per usable tower.

We value Bharti's tower business at Rs73/based on our DCF model and add this to our core business equity value.

Our valuation methodology for Zain's assets is DCF. Since our analysis suggests Bharti has acquired these assets at a premium by taking on higher debt, the net accrued value has a negative Rs17/share impact (Exhibit 28).

We also incorporate regulatory payouts for excess spectrum beyond 6.2MHz and cost of renewal of total spectrum on expiry of licenses. These amount to US$439mn or Rs5.2 per share and US$1.25bn or Rs14.8 per share.

We set our price target at our base case value of Rs398/share.

Downside risks to our price target

- Higher-than-expected drop in tariffs due to aggressive pricing by new operators to gain subscribers.
- Regulatory uncertainty regarding spectrum and Bharti's need to pay additional spectrum charges. In our bear case, we estimate US$1bn for the company based on Trai's recommendations.

Catalysts include:

- Unlocking value in the tower business through listing or strategic sales;
- Economies of scale due to being the leading wireless player; and
- License fee reduction for the industry as a whole.

Exhibit 28
Bharti: Sum of Parts Valuation

(Rs/share)	
Core Enterprise Value (EV) DCF	347
Less: Core Net Debt	26
Add: 3G Book Value	41
Core Equity Value DCF	363
Total Tower value per Share (EV Based)	73
Net accrual of Zain to Bharti	(17)
Regulatory Payouts	20
Target Price for Bharti based on SOTP	**398**

Source: Company data, Morgan Stanley Research

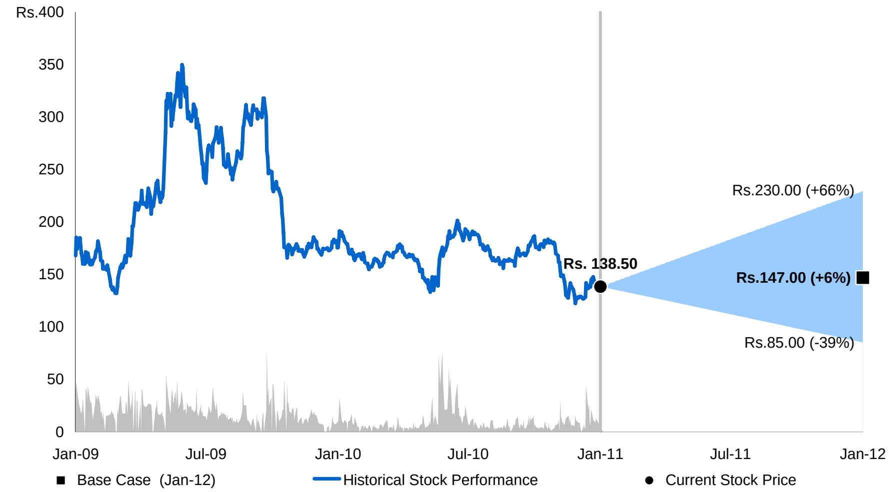
Exhibit 29
Bharti: Assumptions for Cost of Capital

Risk Free Return (Rf)	8.0%
Market Premium (Rm)	6.0%
Assumed Beta	90.0%
Cost of Equity (Re)	13.4%
Equity (%)	72.0%
Cost of Debt (Rd)	11.0%
Tax rate	22.5%
After-tax cost of debt (Rd [1-t])	8.5%
Debt (%)	28.0%
WACC	12.0%

Source: Company data, Morgan Stanley Research

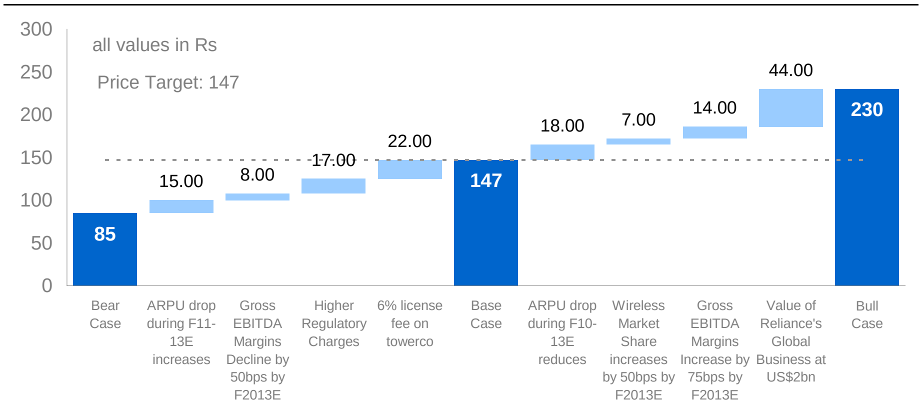
Reliance Communications (RLCM.BO, Rs138.5, EW, PT Rs147)

Relative Underperformance Could Support Stock Price Near-Term



Price Target Rs147		Derived from base-case scenario.
Bull Case Rs230	At par to bull case SOTP	**Slower ARPU decline:** Annual ARPU decrease of 2%. Wireless market share increases 5bps to 18.4% by F2013E. RCOM's wholly owned subsidiary, Reliance Globalcom, is listed.
Base Case Rs147	At par to base case SOTP	**Improving margin, strong market share:** Annual ARPU decline of 3.9% for F2011-13E. Gross EBITDA margin to stabilize at 21.1% by F2013.
Bear Case Rs85	At par to bear case SOTP	**Increasing competition:** ARPU decline is faster at 5% p.a. during F2011-13E; Gross EBITDA margins decline by 50bps to 20.6% by F2013E; regulatory payouts of US$777mn, 6% license fee on towercos

Bear to Bull: ARPU and Market Share Are Key



Source: Morgan Stanley Research estimates, FactSet

Investment Thesis

- Highest net debt/EBITDA in the group
- RCOM faces a dilemma: a shrinking CDMA business, which we estimate accounts for 60% of its subscriber base, and a growing GSM business, which has lower ARPUs moving up.
- Valuations unattractive vs. peers when compared for growth.

Key Value Drivers

- Improvement in EBITDA margins by F2012, driven by economies of scale and stability of operations in newly launched areas.
- Strong net adds through pan-India presence in both CDMA and GSM.
- Potential to unlock value in the tower business and Reliance Globalcom.
- Market share in long-distance and enterprise businesses.

Downside Risks

- Increased competition.
- High debt and hence high interest costs affecting balance sheet.

Upside Risks

- Strategic stake sale
- Unlocking value in tower business by way of stake sale and/or signing deals with new operators.
- Less-than-expected increase in network costs produces positive surprise in EBITDA margins.
- License fee reduction for the industry as a whole.
- Having more spectrum and hence capacity relative to its subscriber could lead to future reduction in capex

RCOM: Financial Summary

Income Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Wireless	166,396	169,873	192,932	213,625
Global	83,187	74,606	82,360	88,715
Broadband	28,386	27,174	41,250	45,713
Infratel	62,241	73,565	83,003	91,291
Gross Revenues	289,741	360,491	399,545	439,344
Interdivision revenues	**68,419**	**78,624**	**88,390**	**85,559**
Net Revenues	221,323	281,866	311,156	353,785
Total Operating Revenues				
Total Operating Costs	**143,118**	**213,685**	**231,021**	**261,263**
EBITDA	78,205	68,181	80,134	92,522
Depreciation	37,465	38,274	39,592	43,042
Non Operating Income	11,863	4,628	4,872	4,787
Interest Expenses	-	19,055	17,847	17,526
Profit before Tax	**52,603**	**14,193**	**23,276**	**32,449**
Income Tax	4,454	(800)	4,134	6,490
Profit after Tax	**48,149**	**14,993**	**19,142**	**25,959**
Minority Interest	(1,224)	(479)	(631)	(854)
Consolidated PAT	**46,925**	**14,515**	**18,511**	**25,105**
Extraordinary Items	(375)	-	-	-
Reported PAT	**46,550**	**14,515**	**18,511**	**25,105**

Ratio Analysis

	F2010	F2011E	F2012E	F2013E
Valuation				
ModelWare EPS	22.7	7.0	9.0	12.2
Adj. EPS	22.6	7.0	9.0	12.2
Book Value	210.1	216.7	224.7	235.5
DPS(Rs)	0.8	0.6	1.1	1.5
Adjusted P/B	0.84	0.81	0.77	0.73
P/E	6.1	19.7	15.4	11.4
P/BV	0.7	0.6	0.6	0.6
Yield	1%	0%	1%	1%
EV/EBITDA	6.8	8.8	7.4	6.2
Profitability				
EBITDA Margin (Net Rev)	35.3%	24.2%	25.8%	26.2%
Net Margin	16.2%	4.0%	4.6%	5.7%
RONW (%)	10.9%	3.3%	4.1%	5.3%
ROCE (%)	6.7%	4.4%	5.5%	6.43%
Gearing				
Debt/Equity	0.69	0.83	0.78	0.73
Net Debt / Equity	0.57	0.70	0.66	0.60
Gross Debt / EBITDA	3.80	5.43	4.54	3.84
Net Debt / EBITDA	3.16	4.62	3.82	3.16
Debt Service Ratio	0.56	-0.64	1.89	2.06
Capex % of Net Sales	0.27	0.24	0.24	0.19

Balance Sheet

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
SOURCES				
Share Capital	10,320	10,320	10,320	10,320
Reserves & Surplus	423,286	436,916	453,393	475,738
Shareholders' Funds	**433,606**	**447,236**	**463,713**	**486,058**
Loan Funds	297,154	369,924	363,760	354,920
Minority Interest	6,584	7,062	7,693	8,547
TOTAL LIABILITIES	**738,335**	**825,213**	**836,157**	**850,516**
APPLICATIONS				
Net Block	595,982	631,331	673,425	701,048
Capital Work in Progress	116,557	71,244	64,847	61,037
Net Fixed Assets	**712,539**	**702,575**	**738,272**	**762,085**
Investments	41,599	41,599	41,599	41,599
Current Assets	113,387	118,019	126,671	123,308
Cash	8,185	13,179	16,238	21,390
Current Liabilities	187,351	184,696	216,869	223,818
Net Current Assets	**(65,779)**	**(53,498)**	**(73,959)**	**(79,121)**
TOTAL ASSETS	**738,335**	**825,213**	**836,157**	**850,516**

Cash Flow Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Operating Activities				
Profit/(Loss) before tax	52,603	14,193	23,276	32,449
Depreciation	37,465	38,274	39,592	43,042
Amortization	-	1,288	4,293	4,293
Direct Taxes Paid	(4,454)	800	(4,134)	(6,490)
Changes in Working Capital	3,466	(7,286)	23,520	10,314
Prior period adjustments	-	19,055	17,847	17,526
Operating Cash Flows	***88,705***	***66,323***	***104,392***	***101,133***
Investing Activities				
(Purchase)/Sale of Fixed Assets	(60,603)	(66,403)	(75,288)	(66,855)
Inc/(Dec) in Goodwill + Intangibles	2,240	(85,850)	-	-
(Purchase)/ Sale of Investments	***54,058***	***-***	***-***	***-***
Investing Cash Flows	***(4,305)***	***(152,253)***	***(75,288)***	***(66,855)***
Financing Activities				
Repayment of Long Term Debt	(94,468)	72,770	(6,164)	(8,840)
Change in Shareholders Equity	35,335	479	631	854
Interest on Long Term Loans	-	(19,055)	(17,847)	(17,526)
Dividends Paid	(1,754)	(1,166)	(2,278)	(3,089)
Dividend Tax	(291)	(198)	(387)	(525)
Financing Cash Flows	***(61,179)***	***52,831***	***(26,045)***	***(29,126)***
Net change in Cash & Cash Eqv	23,221	4,994	3,059	5,152
Cash & Marketable Securities				
Beginning balance	16,829	40,050	45,043	48,102
Ending Balance	40,050	45,043	48,102	53,254

E = Morgan Stanley Research Estimates
Source: Company data, Morgan Stanley Research

Reliance Communications (RLCM.BO, Rs138.5, EW, PT Rs147)

Investment Thesis:

- High depreciation and interest costs lead to 43% p.a. decline in profits during F2010-12E.
- Balance sheet risk due to high debt and hence high interest costs.

Exhibit 30
RCOM: What's changed?

	F2011E	F2012E	F2013E
Revenues			
Old	287,019	322,528	373,813
New	281,866	311,156	353,785
Change	*-1.8%*	*-3.5%*	*-5.4%*
Total Consol EBITDA (Rs mn)			
Old	72,059	85,594	98,981
New	68,181	80,134	92,522
Change	*-5.4%*	*-6.4%*	*-6.5%*
Net Interest income/ (Expense)			
Old	-15,437	-13,679	-14,264
New	-14,426	-12,974	-12,739
Change	*-6.5%*	*-5.2%*	*-10.7%*
Consolidated Net Profit			
Old	14,806	17,342	23,699
New	14,515	18,511	25,105
Change	*-2.0%*	*6.7%*	*5.9%*
Tax			
Old	478	3,809	6,146
New	(800)	4,134	6,490
Change	*-267.3%*	*8.5%*	*5.6%*
PAT+Depreciation			
Old	55,665	67,434	77,687
New	54,076	62,395	72,439
Change	*-2.9%*	*-7.5%*	*-6.8%*
EPS			
Old	7.17	8.40	11.48
New	7.03	8.97	12.16
Change	*-2.0%*	*6.7%*	*5.9%*

Source: Morgan Stanley Research (E) estimates.

Valuation Methodology: Sum of the Parts

We add our valuations of RCOM's core business and tower businesses (since RCOM has spun off its tower businesses into separate companies with the objective of sharing the towers with the industry). We also add the 3G book value to our target price calculation.

Our core business value for RCOM remains the midpoint of the value derived from our DCF calculation on a one-year forward basis, assuming a terminal growth rate of 3% and cost of capital of 12.6%, as shown in Exhibit 32. Based on our revised estimates, we arrive at our new core business enterprise value of Rs133/share. The company has one of the highest net debt levels in the industry, which equates to Rs69/share. Since in our base case we do not include any revenue upside due to 3G, we add back the book value of the 3G license to the net debt for the company. This equates to Rs42/share.

For the tower business, we use a DCF model to arrive at an equity value of Rs49/share per usable tower for RCOM.

We also incorporate regulatory payouts for excess spectrum beyond 6.2MHz and cost of renewal of total spectrum on expiry of licenses. These amount to US$361mn or Rs7.8 per share.

We add this to our core business equity value to arrive at our new target price of Rs147/share (Exhibit 31).

Downside risks in view of our Equal-weight rating

- Greater competition increases the risk of a price war with new operators over market share.
- High debt (hence high interest costs) raise balance sheet risk

Upside risks include:

- Strategic stake sale/unlocking of value in tower business.
- Less-than-expected increase in network costs produces positive surprise in EBITDA margins.
- License fee reduction for the industry as a whole.
- Having higher spectrum relative to its subscriber future reduction in capex.

Exhibit 31
RCOM: Sum-Of-The-Parts Valuation

Core Enterprise Value (EV) DCF	133
Less: Core Net Debt	69
Add: 3G book value	42
Core Equity Value DCF	105
Tower value per Share	139
Equity Contribution to RCOM's base case	49
Regulatory Payouts	8
RCOM's Base Case = Core EV + Tower	147

Source: Company data, Morgan Stanley Research

Exhibit 32

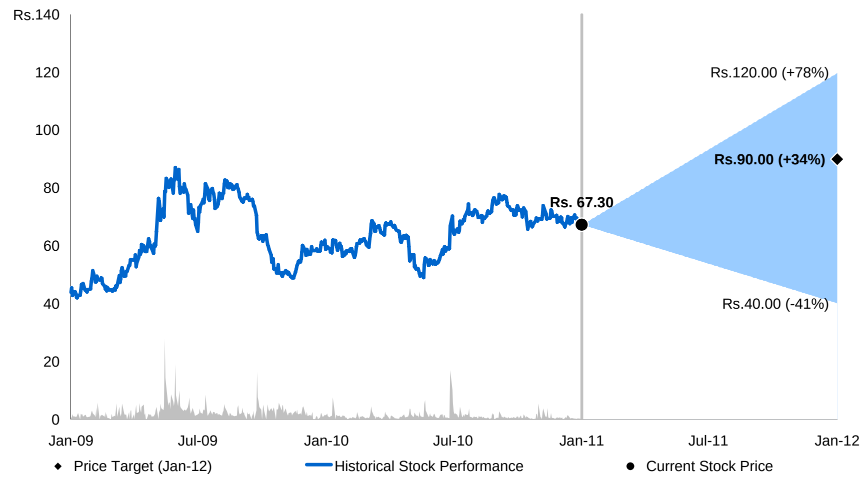
RCOM: Cost of Capital Assumptions

Risk Free Return (Rf)	8.0%
Market Premium (Rm)	6.0%
Assumed Beta	1.05
Cost of Equity (Re)	14.3%
Equity (%)	70%
Cost of Debt (Rd)	11.00%
Tax rate	22.5%
After-tax cost of debt (Rd [1-t])	8.5%
Debt (%)	30%
WACC	12.6%

Source: Company data, Morgan Stanley Research

Risk-Reward Snapshot: Idea Cellular (IDEA.BO, Rs67.3, OW, PT Rs90)

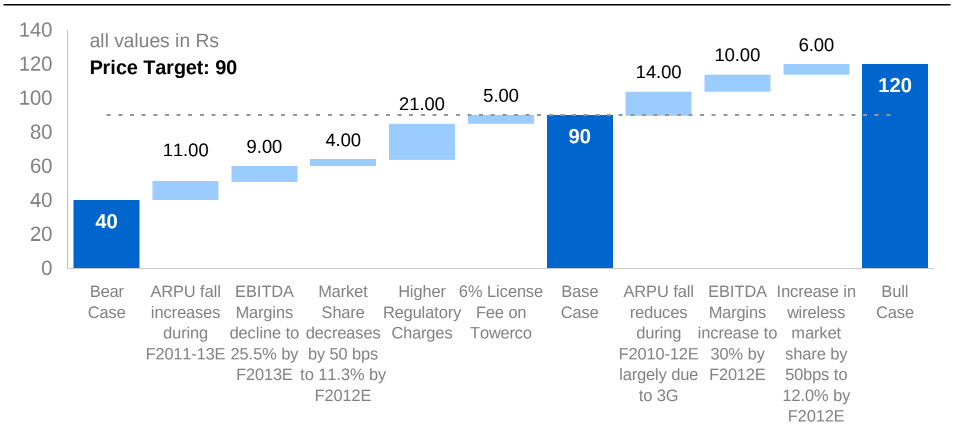
Risk-Reward View: On a Growth Trajectory



Source: Company data, Morgan Stanley Research

Price Target Rs90		Equal to our base case SoTP analysis
Bull Case Rs120	At par to bull case SOTP	**Fully fledged operations:** ARPUs decline by 2% p.a. during F2011-13; gross EBITDA margin improves 239bps to 31%. Increase in wireless market share by 38bps to 12.5% by F2013E.
Base Case Rs90	At par to base case SOTP	**Near-term pain from new launches:** Has 12.1% wireless market share by F2013 with 112.6mn subs including two Spice circles; ARPU declines 3.6% p.a. during F11-13E; net EBITDA margin of 28.6% in F2013 and 34.5% long term.
Bear Case Rs40	At par to bear case SOTP	**Competitive pressures surface:** ARPU declines by 6% p.a. during F2011-13; increase in costs leads to narrowing in gross EBITDA margins by 261bps; market share declines by 50bps; excess spectrum charges of US$1.57bn, 6% license fee on towerco.

Bear to Bull: Stability in tariffs could lead to strong upside



Source: Morgan Stanley Research estimates, FactSet

Why Overweight?

- India is the fastest-growing telecom market.
- Idea has the highest EBITDA growth outlook amongst our coverage universe.
- High quality spectrum.
- 3G overhang is behind us, the relative capex outlook is good, tariff wars have stabilized, peak losses are behind the company.

Key Value Drivers

- Pan India presence to sustain top-line growth.
- Improvement in wireless EBITDA margins driven by economies of scale.
- Tower sharing leads to reduced capex and hence faster FCF status.

Potential Catalysts

- Unlocking value from the tower subsidiary.
- Further industry consolidation.
- Lower-than-expected losses in new circles could improve EBITDA margins.
- License fee reduction for the industry as a whole.
- Higher spectrum relative to its subscriber base, leading to future reduction in capex.

Risks

- Greater-than-expected fall in tariffs due to aggressive pricing from new operators to gain subscribers.
- Regulatory uncertainty regarding spectrum and Idea's need to pay additional spectrum charges.

Idea Cellular: Financial Summary

Income Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Wireless-Existing	**100,622**	**116,677**	**136,816**	**149,397**
Wireless-New	**12,387**	**17,111**	**20,955**	**23,713**
Total Gross Revenues	**135,108**	**169,493**	**201,180**	**223,717**
Interdivision revenues	10,648	12,349	14,631	16,205
Total Net Revenues	**124,460**	**157,143**	**186,548**	**207,513**
Total Operating Costs	90,398	120,369	137,053	148,149
EBITDA	**34,062**	**36,774**	**49,495**	**59,363**
Depreciation	19,783	23,539	23,452	28,817
Amortization	366	688	3,277	3,277
Non Operating Income	847	583	723	709
Interest Expenses	4,005	5,258	11,831	11,323
Profit before Tax	**10,755**	**7,872**	**11,657**	**16,655**
Income Tax	1,214	579	2,110	3,863
Profit after Tax	**9,541**	**7,293**	**9,548**	**12,792**
Minority Interest	(77)	(93)	(366)	(409)
Consolidated Net Profit	**9,464**	**7,199**	**9,182**	**12,383**
Carried Forward P&L Balance	**(5,263)**	**-**	**-**	**-**
P&L Bal. Carried to Balance Sheet	**4,201**	**7,199**	**9,182**	**12,383**

* Our calculations do not include Other Income as a part of Total Revenues.

Ratio Analysis

	F2010	F2011E	F2012E	F2013E
Valuation				
ModelWare EPS	2.87	2.18	2.78	3.75
CEPS	8.97	9.5	10.9	13.5
Book Value(Rs/Share)	43.8	45.8	48.4	51.9
DPS(Rs)	-	0.2	0.2	0.3
P/E	23.5	30.8	24.2	17.9
P/CE	7.5	7.1	6.2	5.0
P/BV	1.5	1.5	1.4	1.3
EV/EBITDA	7.9	9.2	6.9	5.5
Profitability				
EBITDA Margin (% of Net Revenues)	27.4%	23.4%	26.5%	28.6%
Net Margin	7.6%	4.6%	4.9%	6.0%
RONW	6.5%	4.8%	5.7%	7.2%
ROCE	7.0%	4.7%	8.8%	10.3%
Gearing				
Debt/Equity	0.5	0.9	0.9	0.8
Net Debt / Equity	0.3	0.8	0.7	0.6
Interest Coverage Ratio(X)	3.7	2.5	2.0	2.5
FCF Yield	6%	-29%	5%	12%

Balance Sheet

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
SOURCES				
Share Capital	32,996	32,996	32996	32996
Reserves & Surplus	111,659	118,231	126,861	138,414
Shareholders' Funds	144,655	151,227	159857	171410.3
Loan Funds	**70,081**	**140,286**	**142632.9**	**130622.1**
Preferential Shares	19	19	19.25	19.25
Other Non-Current Liabilities	1,130	1,130	1,130	1,130
Total Liabilities	**215,885**	**292,663**	**303,639**	**303,182**
APPLICATIONS				
Net Block	166,583	182,594	204073.5	209721.1
Capital Work in Progress	12,592	8,913	11051.55	8273.166
Net Fixed Assets	179,175	191,507	215125	217994.3
Goodwill	22,457	22,457	22457.37	22457.37
Intangible Assets	11,821	68,819	65542.08	62264.97
Current Assets	17,879	22,934	31801.7	24148.72
Cash & Marketable Securities	23,206	23,560	24770.27	26830.75
Current Liabilities	38,654	36,615	56057.36	50514.47
Net Current Assets	2,431	9,879	514.6126	465.0048
Total Assets	**215,885**	**292,663**	**303,639**	**303,182**

Cash Flow Statement

Rsmn (Year ending March 31)	F2010	F2011E	F2012E	F2013E
Operating Activities				
Profit/(Loss) before tax	10,755	7,872	11,657	16,655
Depreciation and Amortization	20,149	24,227	26,729	28,817
Direct Taxes Paid	(1,214)	(579)	(2,110)	(3,863)
Interest	4,005	5,258	11,831	-
Changes in Working Capital	3,235	(7,095)	10,575	2,110
Operating Cash Flows	**36,853**	**29,590**	**58,317**	**57,910**
Investing Activities				
Purchase/(Sale) of Fixed Assets	(44,473)	(35,871)	(47,070)	(31,686)
(Inc)/ Dec in Goodwill + Intangibles	(0)	(57,686)	0	(0)
(Inc)/Dec of Non-Current Assets	20,452	-	-	-
Investing Cash Flows	**(24,022)**	**(93,557)**	**(47,070)**	**(31,686)**
Financing Activities				
Proceeds from Issue of Share Capital	1,995	-	-	-
Repayment of Long Term Borrowings	(19,042)	70,206	2,347	(12,011)
Change in Shareholders Equity	562	93	366	409
Interest on Long Term Loans	(4,005)	(5,258)	(11,831)	(11,323)
Dividends Paid	-	(630)	(803)	(1,084)
Dividend Tax	-	(90)	(115)	(155)
Financing Cash Flows	**(20,490)**	**64,321**	**(10,037)**	**(24,164)**
Net change in Cash and Cash Eqv	(7,658)	354	1,211	2,060
Cash & Marketable Securities				
Beginning Cash balance	30,864	23,206	23,560	24,770
Ending Cash Balance	23,206	23,560	24,770	26,831

Source: Company data, Morgan Stanley Research

Idea Cellular (IDEA.BO, Rs67.3, OW, PT Rs90)

Investment Thesis: Why We Are Overweight

- 3G bidding behind the industry. Idea has been selective in its 3G foray and not won any BWA circle
- Strong operational trends in recent quarters compared to peers
- Underperformed BSE Sensex by 73ppt over the last three month and six months, making valuations look attractive

Exhibit 33
Idea Cellular: What's changed?

	F2011E	F2012E
EBITDA		
Old	36,968	48,530
New	36,774	49,495
Change	-0.5%	2.0%
Net Interest Cost/(Income)		
Old	4,907	10,829
New	4,675	11,108
Change	-4.7%	2.6%
Profit Before Tax		
Old	7,834	11,194
New	7,872	11,657
Change	0.5%	4.1%
PAT		
Old	7,164	8,811
New	7,199	9,182
Change	0.5%	4.2%
EPS		
Old	2.17	2.67
New	2.18	2.78
Change	0.5%	4.2%
PAT+Depreciation		
Old	31,391	35,318
New	31,426	35,911
Change	0.1%	1.7%

Source: Morgan Stanley Research (E) estimates

Valuation Methodology

Our 12-month target price for Idea is Rs90/share. It is based on our DCF model and the value we attribute to the company's towers. Our sum-of-the-parts valuation is shown in Exhibit 34.

Our core business value for Idea remains the midpoint of the value derived from our DCF calculation on a one-year forward basis, assuming a terminal growth rate of 3% and cost of capital of 12%, as shown in Exhibit 35. Based on our revised estimates, we arrive at our new core business enterprise value of Rs89/share. The company's net debt equates to Rs36/share. However, since in our base case we do not include any revenue upside due to 3G, we add back the book value of the 3G license to the net debt for the company. This equates to Rs17/share.

We value Idea's towers in Indus using DCF and use an EV/tower of 115k to value the company's directly owned towers. The combined value for Idea's towers is US$2.3bn or Rs31/share, 46% of its market cap; as shown in Exhibit 18. We add this tower value to our core business equity value (Exhibit 34).

We also incorporate regulatory payouts for excess spectrum beyond 6.2MHz and cost of renewal of total spectrum on expiry of licenses. These amount to US$147mn or Rs2 per share and US$652mn or Rs9 per share respectively..

Exhibit 34
Idea Cellular: Sum of the Parts Valuation

Core Business Enterprise Value	89
(Rs/share)	19
Core Business Equity Value	71
Tower Valuation	31
Regulatory Payouts	(11)
Target Price	**90**

Source: Company data, Morgan Stanley Research

Exhibit 35
Idea Cellular: Cost of Capital Assumptions

Risk Free Return (Rf)	8.0%
Market Premium (Rm)	6.0%
Assumed Beta	0.98
Cost of Equity (Re)	13.9%
Equity (%)	60.0%
Cost of Debt (Rd)	12.0%
Tax rate	22.5%
After-tax cost of debt (Rd [1-t])	9.3%
Debt (%)	40.0%
WACC	12.0%
Assumed WACC	12.0%

Source: Company data, Morgan Stanley Research

Downside risks to our price target

- Greater-than-expected fall in tariffs due to aggressive pricing from new operators to gain subscribers.
- Regulatory uncertainty regarding spectrum and Idea's need to pay additional spectrum charges.

Catalysts

The recent entry of players such as Sistema and Telenor to the Indian market as well as the auction of 3G has highlighted the scarcity value of Indian spectrum. As the smallest of the listed, pan-Indian wireless players, with one of the largest spectrums in the country, Idea might offer strategic value in any future industry consolidation – a prominent industry theme that has been discussed widely in numerous leading news media outlets. (Please see Consolidation in the sector: Telcos seek M&A-friendly policy, *The Financial Express*, 17 Jan 2011; and Government to redraw M&A rules in new telecom policy, *Business Standard*, 2 Jan 2011.)

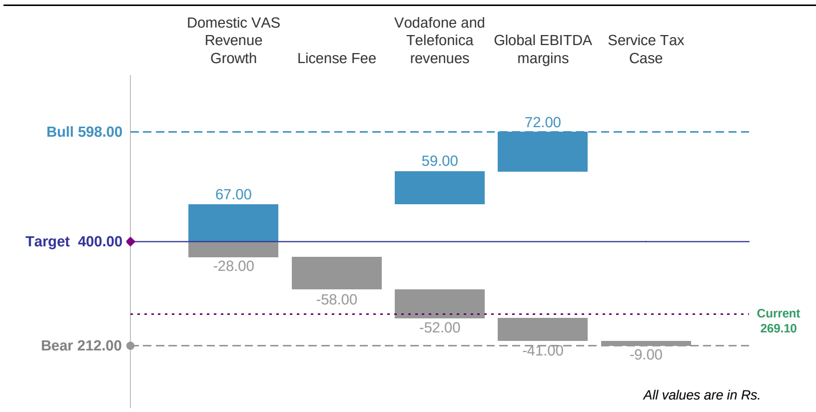
- Lower-than-expected losses in new circles could improve EBITDA margins.
- License fee reduction for the industry as a whole.
- Having higher spectrum relative to its subscriber base, leading to future reduction in capex.

Risk-Reward Snapshot: OnMobile Global Ltd. (ONMO.BO, Rs269.1, OW, PT Rs400)

Risk-Reward View: Long-term Buying Opportunity

Price Target Rs400		Our price target is derived from our base-case DCF valuation
Bull Case Rs598	F12 P/E multiple of 15.7x	**Global business takes off:** Domestic revenues grow 25% p.a. during F2010-15; VAS operators do not pay license fees; 20-25% higher revenues from Vodafone and Telefonica; global margins of 35.5% by F2015.
Base Case Rs400	F12 P/E multiple of 18.9x	**Strong domestic and global growth:** Domestic revenues grow 20% p.a. during F2010-15; VAS operators do not pay direct license fees; Vodafone and Telefonica contribute 30% of revenues; global margins of 30.5% by F2015.
Bear Case Rs212	F12 P/E multiple of 37.2x	**Slower domestic business growth; higher global business costs:** Domestic revenues grow 16% p.a. during F2010-15; VAS operators pay 6% license fee; 20-25% lower revenues from Vodafone and Telefonica; global margins of 24.5% by F2015; tax-related payments of Rs549mn to Karnataka Government.

Bear to Bull: Domestic VAS Revenue Growth Drives Bull Case



Source: Morgan Stanley Research estimates, FactSet

Why We Are Overweight

- Well placed in the VAS market both domestically and internationally
- Leading VAS provider in India
- Strong revenue, EBITDA, and PAT growth in the next three to five years
- EBITDA and PAT in F12 to surpass the levels seen in F09

Key Value Drivers

- Domestic VAS revenue growth
- Successful country launches following the Telefonica and Vodafone deals
- Continuous product innovation

Potential Catalysts

- Completion of Telefonica rollout
- TRAI release of recommendations on VAS
- Announcement of new deal(s) with telecom operator(s)
- Acquisitions to enhance geographical presence or service offerings

Key Risks

- Pressure on domestic business
- Loss of a major customer
- Execution risk with global deals

OnMobile Global Ltd: Financial Summary

Rsmillion; Years Ending March

Income Statement

(Rs millions)	F2010	F2011E	F2012E	F2013E
Revenue				
Telecom Value Added Services	4,253	5,398	6,870	9,900
Software Development	229	92	87	74
Other Services	**62**	**22**	**20**	**18**
Total Revenue	**4,544**	**5,511**	**6,977**	**9,991**
Content fee and royalty	903	1,136	1,389	1,807
Hardware & software development	420	342	418	586
Manpower Cost	1,475	1,760	2,245	2,982
Admin. & Other Expenses	915	1,092	1,162	2,075
Total Operating Cost	**3,713**	**4,330**	**5,214**	**7,451**
Total EBITDA	**831**	**1,181**	**1,763**	**2,540**
Other Income	228	190	83	57
Depreciation & Amortization	441	539	693	786
Depreciation	**428**	**355**	**554**	**599**
Amortization	12	184	138	187
Finance Charges	**3**	**6**	**44**	**61**
Profit Before Tax	616	826	1,109	1,750
Provision For Taxation	**193**	**132**	**277**	**437**
Profit After Tax	423	694	832	1,312
Minority Interest	9	-	-	-
Share in profit/(loss) of associates	14	35	41	47
Profit attributable to the group	**428**	**728**	**872**	**1,359**

Balance Sheet

(Rs millions)	F2010	F2011E	F2012E	F2013E
LIABILITIES				
Share Capital	586	586	586	586
Reserves and Surplus	6,810	7,504	8,336	9,648
Total Shareholder Funds	**7,396**	**8,089**	**8,921**	**10,234**
Total Loan Funds	**87**	**523**	**942**	**801**
Current Liabilities and Provisions	2,531	2,341	2,729	3,502
Current Liabilities	**1,331**	**1,186**	**1,428**	**2,041**
Provisions	**1,200**	**1,155**	**1,300**	**1,460**
Total Liabilities	**11,828**	**10,954**	**12,592**	**14,536**
ASSETS				
Goodwill on Consolidation	2,046	2,046	2,046	2,046
Total Gross Block	5,228	5,932	6,895	8,242
Less: Acc. Depn. & Amortization	1,934	2,473	3,165	3,951
Net Block	3,295	3,460	3,730	4,290
Capital Work-in-progress	92	288	372	524
Total Fixed Assets	**3,387**	**3,748**	**4,102**	**4,814**
Investments	677	339	339	339
Current Assets, Loans & Advances	5,717	4,821	6,105	7,337
Sundry Debtors	1,690	1,963	2,294	3,148
Cash and Bank Balances	1,883	261	715	28
Loans and Advances	2,120	2,567	3,058	4,106
Total Assets	**11,828**	**10,954**	**12,592**	**14,536**

Cash Flow Statement

(Rs millions)	F2010	F2011E	F2012E	F2013E
Profit After Tax	423	694	832	1,312
Add: Depreciation	441	539	693	786
Add: Interest expense	3	6	44	61
Less: Interest Income	228	190	83	57
Add: Changes in Working Capital	1,450	(2,729)	(443)	(1,145)
Cash Flow from Operations	**2,121**	**(1,680)**	**1,043**	**958**
Capital Expenditure	(380)	(900)	(1,047)	(1,499)
Change in Investments	(590)	339	-	-
Goodwill	62	-	-	-
Cash Flow from Investing	**(3,309)**	**(561)**	**(1,047)**	**(1,499)**
Issue of Share Capital	7	-	-	-
Issue of Debt	40	436	419	(141)
Interest Paid	(3)	(6)	(44)	(61)
Interest Received	228	190	83	57
Cash Flow from Financing	**217**	**620**	**457**	**(145)**
Net Change in Cash	**(972)**	**(1,622)**	**453**	**(687)**
Beginning Cash Balance	2,855	1,883	261	715
Closing Cash Balance	**1,883**	**261**	**715**	**28**

Ratio Analysis

	F2010	F2011E	F2012E	F2013E
VALUATIONS				
ModelWare EPS	7.2	12.2	14.6	22.7
Earnings Per Share (EPS)	7.3	12.4	14.9	23.2
EPS Growth (%)	-50%	70%	20%	56%
P/E	36.8	21.6	18.1	11.6
P/E to 2 yr forward growth	0.86	0.59	0.35	0.29
2 year forward EPS CAGR	43%	37%	52%	39%
EV/EBITDA	16.6	13.4	9.0	6.4
P/B	2.1	1.9	1.8	1.5
PROFITABILITY				
Operating margins	18%	21%	25%	25%
Net margins	9%	13%	13%	14%
ROCE	6%	7%	10%	13%
RONW	6%	9%	10%	14%
GEARING				
Debt/Equity	0.01	0.06	0.11	0.08
Net Debt/Equity	(0.24)	0.03	0.03	0.08
Debt/EBITDA	0.10	0.44	0.53	0.32
Net Debt/EBITDA	(2.16)	0.22	0.13	0.30
EBITDA / Capex	2.19	1.31	1.68	1.69
OTHER KEY RATIOS				
Capex % of Net Sales	8%	16%	15%	15%
Effective Tax Rate	31%	16%	25%	25%

E= Morgan Stanley Research Estimates. Source: Company data, Morgan Stanley Research
Note: EPS and book value are calculated using basic shares outstanding; EBITDA does not include the share of profits/losses from associates

Risk-Reward Snapshot: OnMobile Global Ltd. (ONMO.BO, Rs269.1, OW, PT Rs400)

Investment Thesis: Why We Are Overweight

- Leading position in the growing domestic value-added services (VAS) market;
- Increased global opportunities through agreements with Vodafone and Telefonica;
- Stock has underperformed BSE sensex by ~50% in the last 12 months

Exhibit 36

OnMobile: What's changed?

	F2011E	F2012E	F2013E
Total Revenue			
Old	5,506	7,160	9,353
New	5,511	6,977	9,991
Change	*0%*	*-3%*	*7%*
Total EBITDA			
Old	1,103	1,748	2,467
New	1,181	1,763	2,540
Change	*7%*	*1%*	*3%*
Overall EBITDA margins			
Old	20%	24%	26%
New	21%	25%	25%
Change	*140*	*85*	*(95)*
Other Income			
Old	202	261	331
New	190	83	57
Change	*-6%*	*-68%*	*-83%*
Profit After Tax			
Old	577	862	1,365
New	694	832	1,312
Change	*20%*	*-4%*	*-4%*
Basic EPS			
Old	9.9	14.7	23.3
New	12.4	14.9	23.2
Change	*26%*	*1%*	*0%*

Source: Company data, Morgan Stanley Research

Valuation Methodology

We use Discounted Cash Flow (DCF) analysis to derive our bear, base, and bull values. We use the base case, which is at the mid-point of our bear and bull values, to derive our price target on a one-year forward basis, assuming a terminal growth rate of 6% and cost of capital of 12.8% (Exhibit 37).

Based on these assumptions, we arrive at an enterprise value of Rs23bn (Rs392/share). Adding net debt of Rs262mn (Rs5/share), the equity value stands at Rs22.4bn (Rs471/share). We then adjust it to reach our one-year forward price target of Rs400/share, equivalent to P/Es of 23x F11 EPS and 19x F12 EPS (Exhibit 38).

Downside risks:

- Pressure on domestic business
- Loss of a major customer
- Execution risk

Exhibit 37

OnMobile: Cost of Capital Assumptions

Risk Free Rate	7.8%
Beta	1.05
Equity Risk Premium	6.5%
Cost of Equity	**14.6%**
% of Equity	75%
Cost of Debt	11%
Tax Rate	31%
After Tax cost of debt	**7.6%**
% of Debt	25%
WACC	**12.8%**

Source: Company data, Morgan Stanley Research estimates

Exhibit 38

OnMobile: DCF-Based Valuation

		F2010	F2011E	F2012E	F2013E	F2014E	F2015E	F2016E	F2017E	F2018E	F2019E	F2020E
Operating Profit		831	1,181	1,763	2,540	3,465	4,415	5,005	5,771	6,584	7,397	8,065
Change in Working Capital		1,450	(2,729)	(443)	(1,145)	(634)	(416)	126	211	577	320	413
Profit Before Tax		616	826	1,109	1,750	2,598	3,435	4,034	4,740	5,511	6,293	6,934
Adjusted Tax		193	133	288	453	664	870	1,018	1,288	1,660	1,893	2,085
Tax shield on interest		1	1	11	15	14	12	9	8	7	6	5
Adjusted Tax Rate		31%	16%	26%	26%	26%	25%	25%	27%	30%	30%	30%
Capex		(380)	(900)	(1,047)	(1,499)	(1,759)	(2,101)	(2,315)	(2,585)	(2,851)	(3,110)	(3,317)
Cash Flow		(1,192)	2,877	871	1,734	1,675	1,860	1,546	1,687	1,496	2,074	2,250
PV of Cash flows		(1,192)	2,877	871	1,537	1,316	1,295	954	923	725	891	857
Terminal Growth	6%											
Terminal Value	34,966											
Enterprise Value	22,691											
Net debt	262											
Equity Value Rs mn	22,429											
Equity Value US$ mn	497											
Shares (m)	57.83											
Implied DCF value per share	388											
Adjustment to Current Date	400											

Source: Company data, Morgan Stanley Research, E = Morgan Stanley Research estimates

Exhibit 39

Indian Telecoms: Asia Valuation Comparables

All Data is Calendarized

Key Comparables	Price	Price to Earnings				P/E to 2yr EPS Growth	EV/EBITDA				ROA				FCF Yield				P/B			
	13-Jan-11	2009	2010E	2011E	2012E	2010-12E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Indian Telcos																						
Bharti Airtel	346.05	14.4	21.8	17.7	14.0	0.88	8.1	9.3	7.2	5.7	22%	14%	13%	16%	3%	-37%	5%	11%	3.2	2.8	2.4	2.0
Reliance Communications	138.50	6.1	19.7	15.4	11.4	0.62	6.8	8.8	7.4	6.2	7%	4%	5%	6%	30%	-30%	10%	12%	0.7	0.6	0.6	0.6
Idea Cellular	67.30	23.5	30.8	24.2	17.9	0.99	7.9	9.2	6.9	5.5	7%	5%	9%	10%	6%	-29%	5%	12%	1.5	1.5	1.4	1.3
MTNL	52.65	63.4	15.8	17.3	11.8	0.99	56.5	(15.5)	(13.4)	(9.7)	1%	3%	2%	3%	-30%	12%	14%	19%	0.3	0.3	0.3	0.3
Tata Communications	256.85	(14.8)	(11.1)	(10.8)	(14.0)	NM	11.2	10.9	9.9	8.8	2%	1%	1%	3%	-33%	-15%	-4%	6%	1.6	2.0	2.5	3.2
Average India (Ex-MTNL, TCOM)		***14.7***	***24.1***	***19.1***	***14.4***	***0.83***	***7.6***	***9.1***	***7.1***	***5.8***	***12%***	***8%***	***9%***	***11%***	***2%***	***-21%***	***9%***	***13%***	***1.8***	***1.6***	***1.5***	***1.3***
Wireline/Integrated																						
China Telecom	4.4	20.9	17.8	15.5	14.4	1.62	5.1	4.6	4.4	4.1	6%	7%	8%	8%	10%	8%	6%	9%	1.4	1.3	1.2	1.2
Singapore Telecom	3.1	12.6	12.7	13.3	12.1	5.53	7.5	7.5	7.6	7.0	18%	16%	16%	17%	9%	9%	9%	10%	2.0	1.9	1.8	1.7
Telekom Malaysia	3.7	27.9	25.9	23.0	20.4	2.07	5.6	5.6	5.5	5.2	4%	6%	6%	7%	12%	8%	3%	8%	1.9	1.8	1.8	1.9
True	7.1	NM	94.0	34.4	24.0	0.96	6.5	6.4	5.7	5.3	7%	7%	8%	9%	5%	8%	7%	9%	9.5	7.9	5.4	3.9
PT Telkom	7,350.0	12.7	11.4	10.1	9.6	1.27	4.4	4.1	3.6	3.2	27%	25%	27%	28%	4%	8%	9%	12%	3.2	2.8	2.5	2.2
KT Corp.	43,550.0	19.2	8.3	7.0	6.6	0.69	4.3	3.3	3.0	2.8	4%	9%	10%	10%	6%	10%	12%	13%	1.1	1.0	0.9	0.9
HTHKH	2.5	25.9	15.1	13.9	13.0	1.99	7.8	7.1	6.6	6.2	5%	8%	8%	9%	8%	7%	7%	8%	1.2	1.2	1.2	1.1
PCCW	3.6	18.4	15.1	11.7	10.3	0.71	7.1	6.7	6.2	6.0	14%	15%	18%	18%	14%	10%	13%	14%	NM	NM	NM	NM
Chunghwa	88.9	19.7	18.8	18.8	19.0	NM	8.5	8.6	8.7	8.9	14%	16%	16%	16%	6%	6%	6%	6%	2.3	2.4	2.5	2.6
Telstra	2.9	8.8	9.2	11.1	10.3	NM	4.7	4.5	4.9	4.8	17%	16%	14%	16%	9%	14%	11%	9%	2.9	2.8	2.9	2.9
Average Asia Wireline		***19.5***	***19.4***	***13.8***	***11.5***	***1.73***	***10.8***	***4.5***	***4.4***	***4.4***	***10%***	***11%***	***11%***	***12%***	***2%***	***7%***	***8%***	***10%***	***2.5***	***2.3***	***2.1***	***2.0***
Wireless																						
China Mobile (HK)	78.1	12.1	11.4	11.1	10.9	5.05	5.1	4.7	4.4	4.1	46%	44%	38%	36%	6%	6%	7%	9%	2.8	2.3	2.1	1.9
China Unicom	11.5	28.1	85.9	52.8	30.0	1.24	5.3	5.4	5.4	4.9	4%	1%	2%	3%	-9%	-7%	-14%	-5%	1.2	1.1	1.1	1.1
StarHub	2.6	13.8	14.9	13.9	13.7	3.55	7.8	8.0	7.5	7.3	29%	29%	30%	31%	8%	6%	8%	8%	10.9	11.5	11.5	11.3
Mobile One Limited	2.5	14.8	15.5	14.6	13.8	2.60	8.2	7.9	7.7	7.4	32%	30%	33%	36%	4%	8%	8%	8%	8.8	7.9	7.1	6.4
Axiata	4.9	26.7	15.4	14.0	13.1	1.85	10.0	6.7	6.0	5.6	7%	11%	12%	12%	3%	4%	6%	7%	2.3	1.8	1.7	1.6
DiGi	25.1	19.5	17.8	18.1	17.7	53.32	9.5	8.9	8.7	8.4	53%	56%	59%	65%	3%	6%	6%	6%	12.8	17.0	17.2	17.0
Advanced Info Service	84.0	14.3	11.9	11.9	11.8	23.79	5.7	5.2	5.3	5.4	19%	26%	32%	39%	11%	13%	12%	12%	2.9	3.5	4.7	6.8
Total Access Comm.	43.0	15.2	10.1	11.0	13.8	NM	5.7	4.2	3.9	4.1	10%	15%	14%	12%	14%	15%	14%	12%	1.6	1.5	1.4	1.4
PT Indosat	5,200.0	33.3	32.6	16.9	12.1	0.51	5.8	5.1	4.4	4.0	7%	6%	8%	9%	-25%	6%	11%	14%	1.4	1.4	1.3	1.2
SK Telecom	167,000.0	9.4	9.2	7.9	7.3	0.73	4.2	3.9	3.4	3.0	18%	17%	20%	22%	10%	14%	15%	16%	1.2	1.1	1.0	1.0
SmarTone	17.5	218.0	33.0	34.3	38.9	NM	9.3	7.3	6.4	6.0	5%	16%	15%	13%	0%	3%	1%	2%	3.5	3.4	3.5	3.5
Taiwan Mobile	67.8	17.1	17.0	14.1	14.3	1.92	9.3	9.6	8.3	8.2	25%	26%	34%	17%	6%	7%	7%	8%	5.0	5.1	2.9	2.9
Far Eastone	41.9	14.2	14.9	13.6	13.1	2.24	5.3	5.6	5.3	5.1	16%	17%	20%	22%	10%	9%	9%	10%	1.9	1.9	1.9	1.9
Average Asia Wireless		***28.7***	***21.6***	***17.7***	***15.5***	***8.53***	***6.9***	***6.6***	***6.0***	***5.5***	***19%***	***19%***	***21%***	***21%***	***5%***	***0%***	***6%***	***8%***	***3.7***	***3.8***	***3.7***	***3.7***
Overall Asia Median		***16.2***	***15.4***	***14.0***	***13.1***	***1.62***	***6.8***	***6.4***	***5.7***	***5.4***	***10%***	***15%***	***14%***	***13%***	***6%***	***7%***	***7%***	***9%***	***1.9***	***1.9***	***1.9***	***1.9***
Average Chinese Wireless		***20.1***	***48.7***	***31.9***	***20.5***	***3.15***	***5.2***	***5.1***	***4.9***	***4.5***	***25%***	***23%***	***20%***	***19%***	***-2%***	***-1%***	***-3%***	***2%***	***2.0***	***1.7***	***1.6***	***1.5***
Average Chinese Wireline		***20.9***	***17.8***	***15.5***	***14.4***	***1.6***	***5.1***	***4.6***	***4.4***	***4.1***	***6%***	***7%***	***8%***	***8%***	***10%***	***8%***	***6%***	***9%***	***1.4***	***1.3***	***1.2***	***1.2***
Overall Chinese Average		***20.5***	***33.2***	***23.7***	***17.4***	***2.39***	***5.1***	***4.8***	***4.7***	***4.3***	***16%***	***15%***	***14%***	***14%***	***4%***	***3%***	***1%***	***5%***	***1.7***	***1.5***	***1.4***	***1.3***

Source: Company data, Morgan Stanley Research Estimates

Note: Pricing Date is Oct 7, 2010; Financial year for Indian telcos ends on March 31

Exhibit 40

Indian Telecoms: Spectrum Allocation for Key Operators Following 3G and BWA Auctions

Circle	Bharti				RCOM			Vodafone			Idea			Aircel				Tata		Infotel	Qualcomm	Tikona	Augere
	900	1800	2100	2300	900	1800	2100	900	1800	2100	900	1800	2100	900	1800	2100	2300	1800	2100	2300	2300	2300	2300
Delhi (NCR)	8.0	2.0	5.0	-	-	4.4	5.0	8.0	2.0	5.0	-	8.0	-	-	4.4	-	-	-	-	20	20	-	-
Mumbai	-	9.2	5.0	-	-	4.4	5.0	8.0	2.0	5.0	-	4.4	-	-	4.4	-	-	4.4	-	20	20	-	-
Kolkata	6.2	1.8	-	20.0	-	6.2	5.0	7.8	2.0	5.0	-	4.4	-	-	4.4	5.0	-	4.4	-	20	-	-	-
Chennai	-	-	-	-	-	4.4	-	-	8.0	-	-	4.4	-	6.2	2.4	-	-	-	-	-	-	-	-
Andhra Pradesh	7.8	2.2	5.0	-	-	4.4	-	-	6.2	-	6.2	1.8	5.0	-	4.4	5.0	20.0	4.4	-	20	-	-	-
Gujarat	-	6.2	-	-	-	4.4	-	7.8	2.0	5.0	6.2	-	5.0	-	4.4	-	-	4.4	5.0	20	-	20	-
Karnataka	7.8	2.2	5.0	20.0	-	4.4	-	-	8.0	-	6.2	-	-	-	4.4	5.0	-	4.4	5.0	20	-	-	-
Maharashtra	-	8.2	-	20.0	-	4.4	-	6.2	-	5.0	7.8	2.0	5.0	-	4.4	-	-	4.4	5.0	20	-	-	-
Tamil Nadu	6.2	3.0	5.0	-	-	4.4	-	7.2	-	5.0	-	4.4	-	7.8	2.0	5.0	20.0	4.4	-	20	-	-	-
Haryana	-	6.2	-	-	-	4.4	-	6.2	-	5.0	6.2	-	5.0	-	4.4	-	-	4.4	5.0	20	20	-	-
Kerala	-	6.2	-	-	-	4.4	-	6.2	-	-	6.2	1.8	5.0	-	4.4	5.0	-	4.4	5.0	20	20	-	-
Madhya Pradesh	-	8.0	-	-	6.2	-	5.0	-	4.4	-	6.2	1.8	5.0	-	4.4	-	-	4.4	5.0	20	-	-	20
Punjab	7.8	-	-	20.0	-	4.4	5.0	-	6.2	-	7.8	-	5.0	-	4.4	5.0	-	4.4	5.0	20	-	-	-
Rajasthan	6.2	2.0	5.0	-	-	4.4	5.0	-	6.2	-	6.2	-	-	-	4.4	-	-	4.4	5.0	20	-	20	-
Uttar Pradesh (East)	6.2	1.0	-	-	-	4.4	-	6.2	2.0	5.0	-	6.2	5.0	-	4.4	5.0	-	4.4	-	20	-	20	-
Uttar Pradesh (West)	6.2	-	5.0	-	-	4.4	-	-	6.2	-	6.2	1.8	5.0	-	4.4	-	-	4.4	5.0	20	-	20	-
West Bengal	4.4	1.8	5.0	-	4.4	1.8	5.0	4.4	1.8	5.0	-	4.4	-	-	4.4	5.0	20.0	4.4	-	20	-	-	-
Assam	1.8	4.4	5.0	-	6.2	-	5.0	-	4.4	-	-	4.4	-	6.2	-	5.0	20.0	4.4	-	20	-	-	-
Bihar	6.2	3.0	5.0	-	6.2	1.8	5.0	-	4.4	-	-	4.4	-	-	4.4	5.0	20.0	4.4	-	20	-	-	-
Himachal Pradesh	6.2	-	5.0	-	6.2	-	5.0	-	4.4	-	-	4.4	5.0	-	4.4	-	-	4.4	-	20	-	20	-
Jammu and Kashmir	6.2	-	5.0	-	-	4.4	5.0	-	4.4	-	-	4.4	5.0	4.4	-	5.0	20.0	4.4	-	20	-	-	-
North-east	4.4	1.8	5.0	-	4.4	1.8	5.0	-	4.4	-	-	4.4	-	4.4	-	5.0	20.0	4.4	-	20	-	-	-
Orissa	6.2	1.8	-	-	6.2	-	5.0	-	4.4	-	-	4.4	-	-	4.4	5.0	20.0	4.4	-	20	-	-	-
Total	**98**	**71**	**65**	**80**	**40**	**78**	**65**	**68**	**83**	**45**	**65**	**72**	**55**	**29**	**84**	**65**	**160**	**92**	**45**	**440**	**80**	**100**	**20**
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Source: Company data, Morgan Stanley Research

Exhibit 41

Indian Telecoms: License Expiry Dates for Incumbents

	Bharti	RCOM (GSM)	Vodafone Essar	BSNL	Idea including Spice	MTNL	Aircel	Loop (ex-BPL)
Delhi (NCR)	29-Nov-14	20-Jul-21	29-Nov-14		5-Oct-21	10-Oct-17	5-Dec-26	25-Jan-28
Mumbai	28-Sep-21	20-Jul-21	29-Nov-14		5-Dec-26	10-Oct-17	6-Dec-26	29-Nov-14
Kolkata	29-Nov-14	27-Sep-21	29-Nov-14	29-Feb-20	25-Jan-28		14-Dec-26	25-Jan-28
Chennai	29-Nov-15	31-Dec-19	26-Sep-21	29-Feb-20	25-Jan-28		29-Nov-14	
Andhra Pradesh	12-Dec-15	20-Jul-21	29-Sep-21	29-Feb-20	19-Dec-15		5-Dec-26	25-Jan-28
Gujarat	28-Sep-21	30-Sep-17	19-Dec-15	29-Feb-20	12-Dec-15		5-Dec-26	25-Jan-28
Karnataka	15-Feb-16	20-Jul-21	26-Sep-21	29-Feb-20	9-Apr-16		5-Dec-26	25-Jan-28
Maharashtra	28-Sep-21	20-Jul-21	19-Dec-15	29-Feb-20	12-Dec-15		5-Dec-26	25-Jan-28
Tamil Nadu	29-Nov-15	26-Sep-21	12-Dec-15	29-Feb-20	25-Jan-28		31-Dec-18	25-Jan-28
Haryana	28-Sep-21	20-Jul-21	12-Dec-15	29-Feb-20	12-Dec-15		14-Dec-26	25-Jan-28
Kerala	28-Sep-21	20-Jul-21	12-Dec-15	29-Feb-20	12-Dec-15		14-Dec-26	25-Jan-28
Madhya Pradesh	28-Sep-21	12-Dec-15	20-Mar-27	29-Feb-20	12-Dec-15		14-Dec-26	25-Jan-28
Punjab	12-Dec-15	20-Jul-21	5-Oct-21	29-Feb-20	9-Apr-16		14-Dec-26	25-Jan-28
Rajasthan	22-Apr-16	20-Jul-21	12-Dec-15	29-Feb-20	5-Oct-21		5-Dec-26	25-Jan-28
Uttar Pradesh (East)	10-Feb-24	20-Jul-21	12-Dec-15	29-Feb-20	5-Oct-21		14-Dec-26	25-Jan-28
Uttar Pradesh (West)	28-Sep-21	20-Jul-21	13-Feb-24	29-Feb-20	12-Dec-15		14-Dec-26	25-Jan-28
West Bengal (incl. A&N Islands)	11-Feb-24	12-Dec-15	23-Mar-24	29-Feb-20	25-Jan-28		21-Apr-24	25-Jan-28
Assam	8-Jul-24	12-Dec-15	5-Dec-26	29-Feb-20	25-Jan-28		21-Apr-24	25-Jan-28
Bihar	10-Feb-24	12-Dec-15	5-Dec-26	29-Feb-20	6-Dec-26		21-Apr-24	25-Jan-28
Himachal Pradesh	12-Dec-15	12-Dec-15	5-Dec-26	29-Feb-20	5-Oct-21		21-Apr-24	25-Jan-28
Jammu and Kashmir	10-Feb-24	6-Sep-24	5-Dec-26	29-Feb-20	25-Jan-28		21-Apr-24	25-Jan-28
North-east	12-Dec-25	12-Dec-15	5-Dec-26	29-Feb-20	25-Jan-28		21-Apr-24	25-Jan-28
Orissa	10-Feb-24	12-Dec-15	5-Dec-26	29-Feb-20	25-Jan-28		21-Apr-24	25-Jan-28

Source: TRAI, Morgan Stanley Research

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Not-Rated/Hold	**119**	**4%**	**25**	**3%**	**21%**
Underweight/Sell	**382**	**13%**	**109**	**11%**	**29%**
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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.
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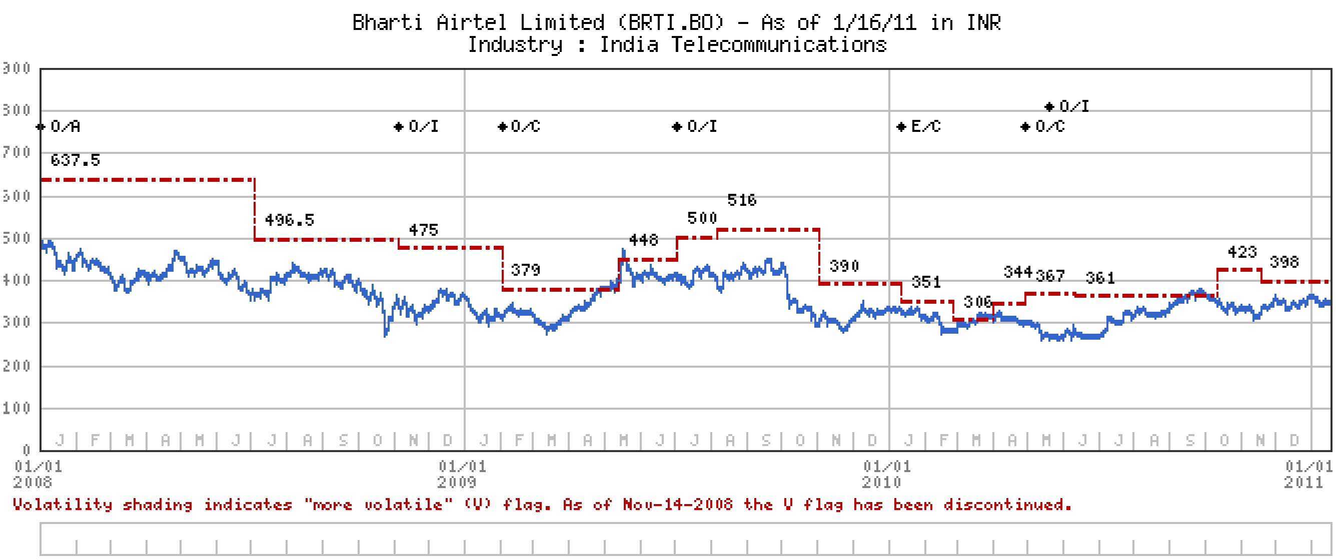
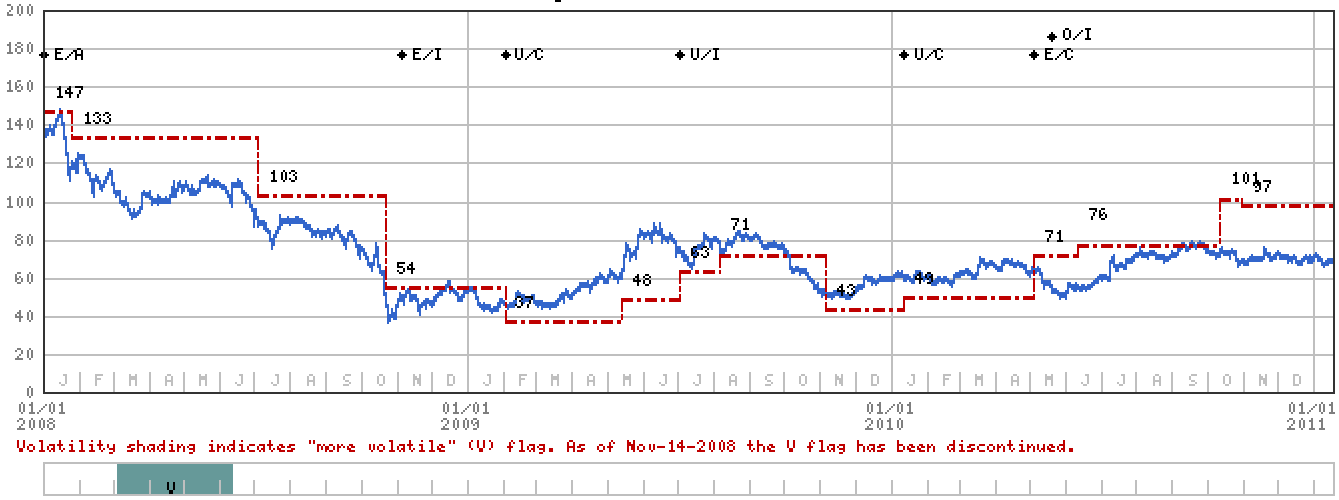
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 1/1/08 : O/A; 11/5/08 : O/I; 2/2/09 : O/C; 7/3/09 : O/I; 1/12/10 : E/C; 4/29/10 : O/C; 5/20/10 : O/I
Price Target History: 11/1/07 : 637.5; 7/4/08 : 496.5; 11/5/08 : 475; 2/2/09 : 379; 5/14/09 : 448; 7/3/09 : 500; 8/6/09 : 516; 11/3/09 : 390; 1/12/10 : 351; 2/26/10 : 306; 4/1/10 : 344; 4/29/10 : 367; 6/11/10 : 361; 10/12/10 : 423; 11/18/10 : 398

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

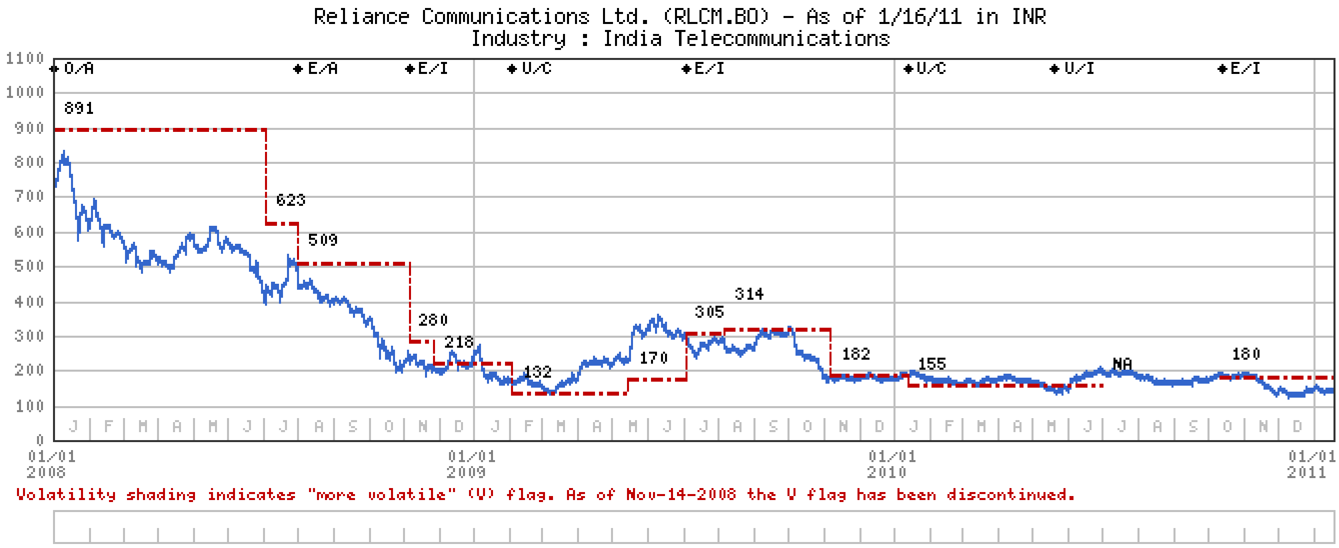
Idea Cellular Ltd. (IDEA.BO) - As of 1/16/11 in INR
Industry : India Telecommunications



Stock Rating History: 1/1/08 : E/A; 11/5/08 : E/I; 2/2/09 : U/C; 7/3/09 : U/I; 1/12/10 : U/C; 5/5/10 : E/C; 5/20/10 : O/I

Price Target History: 10/29/07 : 147; 1/25/08 : 133; 7/4/08 : 103; 10/22/08 : 54; 2/2/09 : 37; 5/14/09 : 48; 7/3/09 : 63; 8/6/09 : 71; 11/6/09 : 43; 1/12/10 : 49; 5/5/10 : 71; 6/11/10 : 76; 10/12/10 : 101; 10/31/10 : 97

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)



Stock Rating History: 1/1/08 : O/A; 8/1/08 : E/A; 11/5/08 : E/I; 2/2/09 : U/C; 7/3/09 : E/I; 1/12/10 : U/C; 5/20/10 : U/I; 10/12/10 : E/I

Price Target History: 11/2/07 : 891; 7/4/08 : 623; 8/1/08 : 509; 11/5/08 : 280; 11/26/08 : 218; 2/2/09 : 132; 5/14/09 : 170; 7/3/09 : 305; 8/6/09 : 314; 11/6/09 : 182; 1/12/10 : 155; 7/1/10 : NA; 10/11/10 : 180

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage:India Telecommunications

Company (Ticker)	Rating (as of)	Price* (01/14/2011)
Surabhi Chandna		
OnMobile Global Ltd. (ONMO.BO)	O- (09/02/2010)	Rs261.85
Vinay Jaising		
Bharti Airtel Limited (BRTI.BO)	O (04/29/2010)	Rs342.7
Idea Cellular Ltd. (IDEA.BO)	O (05/20/2010)	Rs67.7
Mahanagar Telephone Nigam (MTNL.BO)	U (01/12/2010)	Rs51.5
Reliance Communications Ltd. (RLCM.BO)	E (10/12/2010)	Rs138.4
Tata Communications Ltd (TATA.BO)	U (10/22/2002)	Rs250.3

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.