

Cygnus

Business Consulting & Research Pvt.Ltd.

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QUARTERLY PERFORMANCE ANALYSIS OF COMPANIES (October – December 2010)

INDIAN TELECOM INDUSTRY

January 2011

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EXECUTIVE SUMMARY

As per IMF reports, Real GDP is projected to grow by an impressive 9.7% in 2010-11, as compared to an estimated 7.2% in 2009-10. The manufacturing sector and the trade-hotel-transport-communication segment of the services sector are likely to be the major drivers of this growth. Consumer spending has bounced back strongly since September 2009 quarter, and private final consumption expenditure is projected to expand by 7.3% in 2010-11.

The industrial sector (including construction) is projected to grow by 10% in fiscal 2010-11, better than the 9.2% growth in 2009-10. Growth in the manufacturing sector will be led by the food products segment, particularly sugar and edible oil. Service sector is currently contributing 57.3% in the total gross domestic product with growth rate of 9.3%. The momentum is expected to continue in future as demand from domestic and overseas market is picking up in rapid pace. The increase in demand is mainly contributed to corporate wages and rural incomes rise. Record capacity additions will help the sector to meet this incremental demand comfortably.

Outstanding total foreign investments in India have crossed the US\$66542m mark in the year 2009-10. The current investment boom is not triggered by any big push from the Government. The prime growth driver is increasing demand, impelled by sharp rise in corporate wages, salaries of Government employees, and income of the farming community. Investment activities giving a robust performance in 2010-11 and is expected to be the third largest in the world by 2012 in terms FDI.

The Indian telecom market has emerged as one of the fastest growing markets in the world. The current revenue for the quarter OND 2010-11 for the industry expected at Rs162852.35m with a growth of 9.55%, but net profit is expected at Rs19804.97 with de-growth of 24%.

The number of telephone subscribers in India increased to 742.12m at the end of dec-2010 from 704.05m in sep-2010, thereby registering growth rate of 2.61%. With this, the overall tele-density in India reaches 59.63 as compared to 58.17.

Bharti Airtel leads the pack registering over 38% rise in stock price. This was mainly on account of cheap valuation as compared to its peers. It also commands highest OPM and is largest players in telecom space. Tata Communications occupies 2 spot with 18% rise in stock price. It was mainly on account of improved financial performance and expectation of disinvestment of 771 acres of Landbank. On the flip side, Sterlite tech underperformed the market registering over 14% fall in stock price. This was on account of flat profitability and rising input cost contracting margins. Rcom also struggles, falling by 12.5% on the back of huge debt burden and poor topline and bottomline performance. MTNL stock prices also suffer during the same time with 6% fall on the back of huge losses.

As the fastest growing telecommunications industry in the world, it is projected that India will have 1.159 billion mobile subscribers by 2013. Furthermore, projections by several leading global consultancies indicate that the total number of subscribers in India will exceed the total subscriber count in the China by 2013. The industry is expected to reach a size of Rs344,921 crore (US\$74.85 billion) by 2012 at a growth rate of over 26 per cent, and generate employment opportunities for about 10 million people during the same period. According to analysts, the sector would create direct employment for 2.8 million people and for 7 million indirectly. In 2008-09 the overall telecom equipments revenue in India stood at Rs136,833 crore (US\$29.69 billion) during the fiscal, as against Rs115,382 crore (US\$25.04 billion) a year before.

Wireless subscriber base increased from 652.42 million in July-2010 to 670.60 million at the end of August-2010 registering growth of 2.78%. Wireline subscriber base declined from 35.97 million in July-2010 to 35.77 million at the end of August 2010. BSNL/MTNL, two PSU operators hold more than 80% of the Wireline market share. Total Broadband subscriber base has increased from 9.77million in July-2010 to 10.08 million in August-2010, there by showing a growth of 3.17%.

The Average Revenue per User (ARPU) is decreasing, telecom companies are pioneering about being efficient. Telecom operators are shedding their infrastructure baggage and moving over to attend to more pressing requirements, such as increasing the subscriber base and improving customer focus. The slow growth of broadband services in India is a serious concern. In addition, telecommunications operators are facing challenges of growth, convergence, business transformation, technological change and increasing regulation. The Ministry has allowed the sharing of infrastructure between various operators, the independent tower companies are making huge investment to develop telecom network in various geographies. This is also crucial, as the next phase of mobile growth is being seen in rural and sparsely populated areas where installing individual towers (60-65% of network expenditure) increases capex and opex costs for network service providers.

The country's mobile subscriber base is expected to touch 1000 million by 2014, led by the rural market. The uptrend in growth is expected to continue owing to the lower teledensity that encourages telecom operators to spread their services in untapped areas which will help in raising the number of mobile subscribers. Reduction in tariff, low cost handset, value-added services and initiatives taken by the Government are some of the main factors fuelling growth in the Indian telecom market. The sector is undergoing a phase of rapid consolidation, expansion and modernisation evidenced by subscriber and service growth. The arrival of new players in the Indian mobile sector has led to fierce competition, which has sustained the strong subscriber growth seen in 2009-10. Moreover, the communications sector is expected to emerge as the single largest component of the country's GDP with 15.4% by 2014.

INDUSTRY ANALYSIS

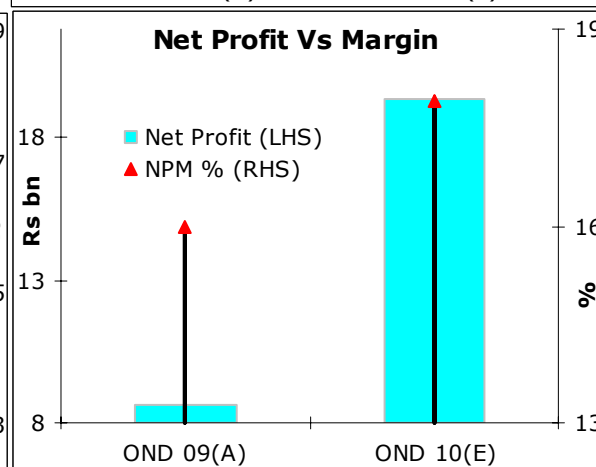
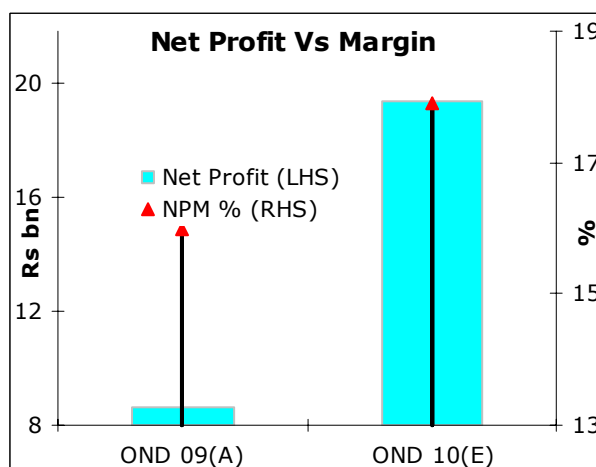
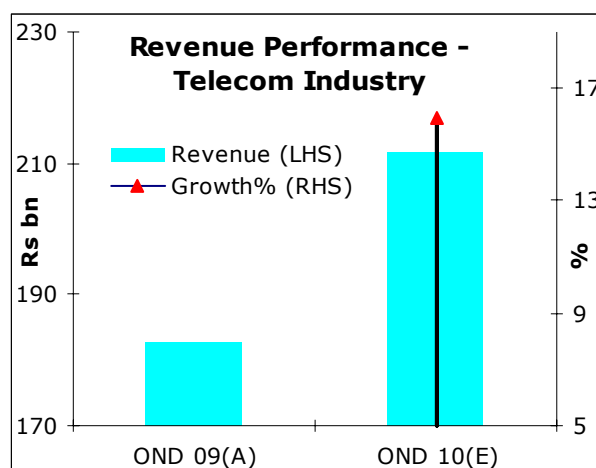
The Indian telecommunications industry is one of the fastest growing in the world and India is the second largest telecom market globally. The number of telephone subscribers in India increased to 706.37 million at the end of August 2010 from 688.38 million in July-2010, thereby registering growth rate of 2.61%. With this, the overall tele-density in India reaches 59.63.

Telecom operators have added 17.98 million new users in June, taking the total telephone subscriber base in the country to 671.69 million. The wireless subscriber base (GSM, CDMA and fixed wireless phones) reached 635.51 million by the end of June, from 617.53 million in May, registering growth of 2.91%.

Industry Aggregate (Rs in million)	
Particulars	OND10 (E)
Net Sales	211768.49
Change	16%
EBIDTA	56321.66
Change	55%
Depreciation	28406.00
Interest	6479.49
Other Income	949.79
PBT	22359.8
Tax	2797.09
PAT	19562.71
Change	118
Market Cap (in bn)	2069.20

Source: BSE India; Cygnus Research

Note: Eight companies are taken for industry aggregate calculation: Bharti Airtel, MTNL, TATA Teleservices, RComm, TATACOMM, Sterlite Tech, Idea Cellular and Avaya Global.



Source: BSE India; Cygnus Research

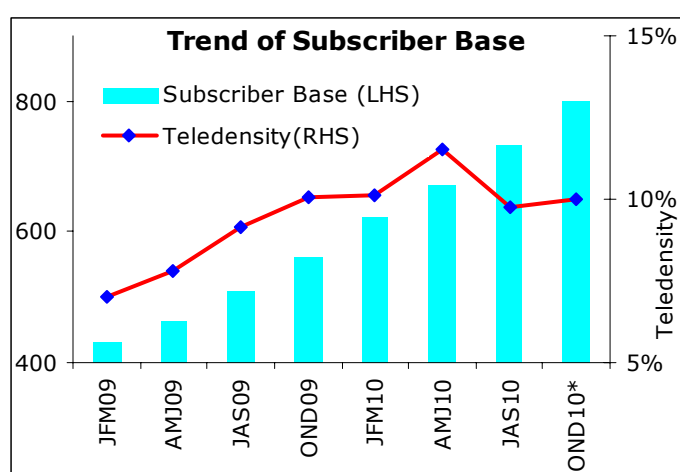
The sector would continue to grow in volumes but OPM continues to be under pressure on the back of declining ARPU and ARR. The expected MNP would further intensify the battle of tariffs and would lead to further reduction of tariffs and further squeezing of margins. Bottomline of major companies like Bharti Airtel, Rcom, Tata Teleservices will face additional pressure on its NPM on additional debt raised for 3G spectrum and equipment procurement.

The current revenue for the industry expected at Rs211768.49m with a growth of 16% in OND10, in comparison to corresponding quarter of previous year. The positive response in revenue is mainly because of increase in number of subscriber base and incremental revenues from VAS segment.

Telecom companies are adding around 1.2-1.5 million subscribers every month. This quantum of addition is likely to continue for couple of quarters before any slowdown in subscriber's addition set in. Teledensity is expected to cross 60% on the back of strong penetration in rural markets.

Recent trends in the Telecommunication Industry

- The Indian equipment market was estimated at US\$24 billion in FY09. Nokia India, betting big on its bouquet of mobile services to win back lost market share, has forayed into a retail distribution model. The Finnish giant has set up 350 shop-in-shops inside mobile phone retail stores in top 16 cities from where it plans to distribute and sell services such as applications, music, navigation and email solutions. This is the first time the world's largest mobile phone company has initiated a retail distribution model for its services venture. Nokia has plans to scale this up in big way, especially in the rural areas, once the pilot phase is over in another six months.



Source: TRAI; Cygnus Research

- Olive Telecom has launched OlivePad VT100, India's first 3.5G tablet. Designed as a multi functional device, OlivePad runs on Google Android Operating System and supports 3.5G HSUPA, Wi-fi and Bluetooth. This latest creation from Olive will bring revolution in the field of technology with its magical features and stylish looks. A new generation of mobile devices, will become a true window to the world in everybody's pocket.
- The Government has set deadline of December 2011 for major telecom operators to adopt the next generation protocol for Internet services in the country. Called Internet Protocol version 6 (IPv6), the new standard will offer improved address space, quality of service and data security capabilities.
- Over 0.25 million villages would be connected to wireless broadband and third generation (3G) mobile services by 2012 enabling them to access the whole range of value-added services. The telecom regulator is working on a detailed broadband policy including a proposal to lay a nationwide optic fibre cable network at an investment of over Rs300 billion. Next generation technologies are expected to give a boost to the adoption of value-added services.
- The US would collaborate with India in evolving a National Broadband Plan. The initiated talks through the ICT joint working group. The Government set aside US\$7 billion announced as part of the stimulus package for creating awareness about the benefits of broadband usage and the US Congress asked the Federal Communication Commission (FCC) to work for a national broadband plan.

COST STRUCTURE

Marketing and Employees cost expected to declined

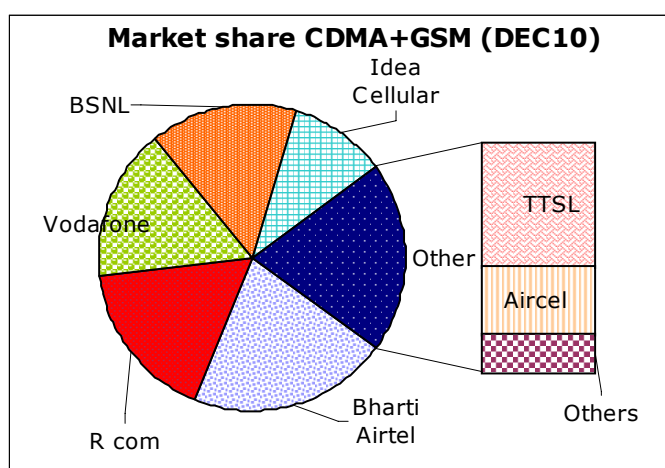
During OND10, the telecom industry's cost structure is expected to increase by around 152basis points as a Percentage of net sales when compared to same period last year. Major driver for the cost structure for the industry is the administration and other expenditure cost. Interest and Financial charges are expected to increase by around 166bps of the net sales.

Cost Structure(% of Sales)	OND10 (E)	OND 09 (A)
Staff cost	8.67	9.80
License Fee	9.08	10.47
Network Operation Expenditure	21.61	17.62
Interconnect Usage Charges	8.87	2.24
Administrative & Other expenses	4.75	3.96
Interest & Financial Charges	13.41	10.61
Depreciation	26.60	17.12
Tax	13.63	7.39

Source: BSE India; Cygnus Research

Rising competition and lower tariffs impact evident –

Bharti is the leading operator in Access segment in terms of number of subscribers, followed by Reliance. However, in terms of absolute net additions during the quarter, Vodafone has been the leader, followed by Tata Teleservices. This validates our concern of increased competition and tariff wars in the sector. It is expected that revenue market share continues to be a better metric to assess operator expansion. With the introduction of MNP in Q3 FY10, it is expected that telecom operators to experience increased churn based on quality of service. However, at a macro level, the operators continue to demonstrate strong growth.



Source: TRAI/AUSPI; Cygnus Research

Low teledensity encourages telecom operators to spread their services in untapped areas

Low teledensity encourages telecom operators to spread their wings in untapped areas which will help in raising the number of mobile subscribers. India is currently adding 12-15 million mobile subscribers every month. It is estimated that by mid 2015, almost all of the country's population will own a mobile phone.

The advent of 3G helps the incumbents to arrest the fall in ARPU and also differentiate themselves from the newer players. Over 15m 3G handsets, and 30% of all future handsets sale expected to be 3G enabled; India is set to provide an effective communication environment. The pessimism has been overdone and this provides good opportunity to enter this space from a longer term perspective. Although the dynamics of the sector are changing, there is still enough space for growth.

Declining ARPU – A Key Challenge for the industry

As per Cygnus estimate the margins of companies are under pressures, the bottom-line in Q2FY11 is expected to decline for few couple of quarters of FY2010-11. This is owing to the significant pressures expected on the margin front due to the price wars seen during the year 2009-10 and continuing in the current period. The negative change in net profit is mainly contributed by fall in ARPU for most of the companies in the industry. The expected launch of MNP in November would further intensify the tariff war and create further pressure on profitability. On a company-specific basis, major companies like Bharti, Idea and Vodafone is expected to report flattish growth in the bottomline of financial year 2011.

The existing operators will have to match to some extent, but expect them not to have a blanket policy and reduce rates pan India and for all schemes and wait and watch initially rather than offer tariff cuts right away. Even if existing players reduce tariffs they may do it selectively. Also competition has been increasing over the last few quarters but the incumbents have been able to maintain their market share in terms of subscriber addition and revenue.

New players lack large scale of operation and infrastructure, have high operating costs because of rented infrastructure, and also lack branding, distribution network and local demographic understanding. Consolidation norms for the telecom sector might be eased earlier than expected as most of the circles have almost 10 operators with few more to be added. At this point, the M&A norms are very restrictive and do not encourage consolidation norms that need to be eased sooner than expected leading to smaller players and new entrants would succumb to the pressure and eventually sell out to the surviving telecom giants. The industry would have to resolve problems such as revenue sharing between the telcos, content providers and technology vendors.

Government Initiatives

The union Budget 2010-11 neglected the telecom industry's special demands. Telco's were looking at a rationalisation of tax and levies, uniform license fee of 1% of the AGR. Telco's wanted a re-look at direct tax, tax holidays and section 81 (A), a re-look at licenses and indirect taxes. As far as infrastructure products are concerned, operators hoping for a boost in telecom infrastructure and wanted telecom to be included as part of infrastructure, so that all tax holidays applicable to infrastructure are applicable to telecom.

The reduction in Corporate Surcharge would provide a minor relief, but at the same time the increase in MAT from 15-18% is a major area of concern. The increase in Central excise duty from 8-10% is another area of concern and will lead to an increase in cost of service. The continuation of exemption from basic, CVD and special additional duties (SAD) granted to their parts, components and accessories of mobile phones is a welcome step and would help towards penetration of affordable mobile service especially to rural areas. The Union Budget 2010 has also responded positively to the industry's request on manufacturing of parts and accessories of mobile handsets in India. The budget proposes to remove the 24% import duty on components/raw material imported for manufacture of batteries, chargers and other part and accessories. This will help bring more investment in the area to the country and encourage domestic manufacture of parts and accessories.

OUTLOOK FOR THE SECTOR

According to a report published by Gartner Inc in June 2009, the total mobile services revenue in India is projected to grow at a compound annual growth rate (CAGR) of 12.5% from 2009-2013 to exceed US\$30 billion. The India mobile subscriber base is set to exceed 771 million connections by 2013, growing at a CAGR of 14.3% in the same period from 452 million in 2009. This growth is poised to continue through the forecast period, and India is expected to remain the world's second largest wireless market after China in terms of mobile connections. Mobile market penetration is projected to increase from 38.7% in 2009 to 63.5% in 2013.

INTER-FIRM COMPARISON

Operational Performance

Revenue: Bharti Airtel Ltd to post highest sales

As per Cygnus estimates, for the quarter ended OND10, telecom giants would register topline growth between 12-16%. Bharti Airtel Limited would register highest sales of Rs1394.75m as against Rs1261.86m same period last year a growth of 11%.

Other companies like Reliance Communication, MTNL and Tata communication are currently going

through a tough phase mainly because of the price wars among the players. RCOM is estimated to register sales of Rs5962.62 3m an increase of 28% compared to OND10. All other companies are also expected to register positive growth in revenue in the quarter ended OND10, mainly because of increase in new addition of subscribers and value added services. The future scenario for the telecom companies will again touch the growth trajectory based on the untapped rural market opportunity.

Bharti Airtel Ltd took a giant step towards becoming global emerging market telecom operator by completing the acquisition of Zain Group's mobile operations in 15 countries across Africa. The deal, valued at US\$10.7 billion, is the biggest overseas acquisition by an Indian company. With this acquisition, Airtel is set to become a global brand with footprint that covers over 1.8 billion people across 18 countries in Asia and Africa. The company is now the fifth largest mobile player in the world with a subscriber base of over 180m. The company announced that it will invest US\$600m in Nigeria over a time span of 3 years with the first set of US\$300m being invested over the next year. The company further emphasized that it will focus on rural expansion in Nigeria. The company aims to acquire 100 million subscribers and US\$5 billion a year in revenue in Africa by 2012/13.

The company will expand its submarine cable offerings globally to target business opportunities in over 100 countries by 2013. The company has invested over Rs25 billion in its undersea cable business over the past three years. It either has stakes or has bought capacities in 18 cable systems across the globe. The company's current focus markets will be South East Asia, Asia-Pacific region, Middle East and Africa.

Tata Communications and Google have joined hands to offer the latter's portfolio of business tools in India on a 'pay-as-you-use' model. The companies would work together on a revenue-sharing model to provide business tools such as e-mail, instant messaging, calendar functionality, video and office presentations over the Internet using the Google Apps software suite. In India, there are about 13 million small and medium businesses. Of this, around 4 million can be potentially targeted through this partnership. Unique plan offering across the value chain, consolidation of sourcing by the overseas retailers and diversified market and customer base have added to the revenues for the companies in the sector.

FINANCIAL PERFORMANCE

As per Cygnus estimates, Bharti Airtel Ltd would post OPM of 11.03%, a fall of 188bp and NPM of 17.48%, a steel fall of 627bps. PBDIT is expected at Rs56321.66m during the period OND10. For this year, the company's major focus is to consolidate its operations i.e., improving efficiencies, reducing cost and strengthen product development and better schemes and plan capabilities. The other companies to

Operational Performance-Sales Vs Growth			
	OND 09(A)	OND 10(E)	Growth %
Bharti Airtel	1261.86	1394.75	11%
IDEA	89016.60	96966.48	9%
Avaya	432.20	537.40	24%
Himachal Futuristic	9720.59	10202.07	5%
Mahanagar Tele	30578.90	33046.73	8%
RCOM	4658.30	5962.62	28%
Strelite	7592.30	8693.30	15%
Tata comm.	5382.60	6048.97	12%
Tata Tele	5382.60	6048.97	12%
Source: BSE India; Cygnus Research			

follow the trend are Rcom, IDEA Cellular and Vodafone. Reliance communication is estimated to register an OPM and NPM of 2.39% and -13.34% respectively. Sterlite and Tata Communication expected to register an OPM & NPM of over 28.59% and 1.33% during the quarter ended OND10.

Financial Performance – OND09 (A) Vs OND10 (E)							Rs in million	
	RCOM		Avaya Global		Tata comm		Mahanagar Tele	
	OND 09	OND 10	OND 09	OND 10	OND 09	OND 10	OND 09	OND 10
Net sales	31084.60	30922.20	1236.17	1258.67	7697.50	9500.65	9194.42	10880.24
OPM	0.65	2.39	25.14	11.03	23.27	23.07	-92.37	-30.80
NPM	-1.21	-13.34	17.48	6.43	-36.34	1.33	-97.34	-75.02

Source: BSE India; Cygnus Research

Financial Performance –OND 09 (A) Vs OND 10 (E)							Rs in million	
	Bharti Airtel		Sterlite		IDEA		Tata Tele	
	OND 09	OND 10	OND 09	OND 10	OND 09	OND 10	OND 09	OND 10
Net sales	89016.60	109933.43	8672.70	4605.70	574.64	479.26	5937.00	5964.60
OPM	38.77	51.67	12.04	16.49	15.42	3.94	1.33	23.84
NPM	22.55	37.13	8.50	10.01	-32.84	-23.59	-35.27	-12.84

Source: BSE India; Cygnus Research

Cost Structure OND09 Vs OND10 (% of net sales)

For telecom industry, Depreciation cost is the major driver of the cost structure. Being a service intensive industry, other and administration cost is the second major cost driver followed by other expenses. Tax for almost all the companies is estimated to be less than the industry average due to Government policies (except few companies). Staff cost for most of the companies is estimated to decrease which is proportional to the net sales and based on the ongoing reduction of revenue. Other expenses have increased due to fall in revenue and increase in fixed expenses; hence, companies are making efforts to have control on other expenses. Depreciation and financial charges for the companies are expected to decrease as they re-estimated the value of the assets. Telecom Companies are currently accruing more assets to expand infrastructure so in future the fixed charges for companies is expected to increase subsequently.

Cost Structure (as % of Net sales) - OND09 (A) Vs OND10 (E)										
	Avaya		Bharti Airtel		Himachal		MTNL		Industry	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Staff cost	3.93	4.16	4.78	14.44	9.04	8.54	145.34	76.15	9.80	8.84
License Fee	10.23	10.51	0.00	0.00	-5.33	1.36	9.22	8.43	10.47	9.08
Network Exp	20.85	20.14	0.00	0.00	39.54	25.84	0.00	0.00	17.62	21.61
Interconnect	0.00	0.00	51.17	55.76	0.00	54.58	0.00	10.46	2.24	8.87
Administrative	6.35	6.36	0.00	0.00	7.77	8.78	22.70	21.76	3.96	4.75
Marketing exp	7.03	6.77	0.00	0.00	0.00	0.00	0.00	0.00	3.47	3.98
Other exp	12.85	0.39	18.91	18.77	33.55	20.34	15.12	14.00	21.56	11.36
Depreciation	38.77	51.67	25.14	11.03	15.42	-19.44	-92.37	-30.80	17.12	31.51
Interest	11.12	11.43	1.60	1.47	11.18	11.54	19.65	33.85	10.61	13.41
Tax	27.83	40.56	23.54	9.56	5.89	-25.50	-101.06	-62.09	7.39	18.55

Source: BSE India; Cygnus Research

Cost Structure (as % of Net sales) – OND 09 (A) Vs OND 10 (E)										
	RCom		Sterlite		Tata Comm		Tata Tele		Industry	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Staff cost	5.44	5.37	1.78	4.14	0.00	12.75	6.32	6.52	9.80	8.84
License Fee	7.61	8.02	0.00	0.00	42.85	37.12	0.00	0.00	10.47	9.08
Network Exp	19.20	21.00	-3.72	-4.67	22.85	21.54	24.15	23.44	17.62	21.61
Interconnect	0.00	33.77	-34.77	35.91	22.00	24.00	39.71	18.91	22.4	18.87
Administrative	0.00	0.00	0.00	0.00	0.00	0.00	10.19	10.85	3.96	4.75
Marketing exp	0.00	0.00	0.00	0.00	0.00	0.00	18.30	16.44	3.47	3.98
Other exp	67.10	29.45	13.16	17.50	14.09	0.00	0.00	0.00	21.56	11.36
Depreciation	0.65	2.39	12.04	16.49	20.22	28.59	1.33	23.84	17.12	31.51
Interest	12.62	12.41	1.52	2.47	19.69	17.90	22.59	23.09	10.61	13.41
Tax	-11.93	-9.75	12.01	14.60	7.51	12.27	-21.05	1.34	7.39	18.55
Source: BSE India; Cygnus Research										

COMPANY ANALYSIS

1. Bharti Airtel Ltd

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	89016.60	109933.43	112931.85	23%	340142.90	356095.40	5%
EBITDA	34513.00	56804.64	58507.58	65%	129910.60	136439.50	5%
Depreciation	9901.80	12568.25	12692.60	27%	32062.80	38900.80	21%
Interest	2256.60	1497.36	1169.81	-34%	17639.80	-8556.50	-149%
Other Income	161.10	351.79	406.55	0%	1407.40	897.30	-36%
PBT	22515.70	43090.82	45051.72	91%	81615.40	106992.50	31%
TAX	2445.80	2274.33	1776.82	-7%	4177.00	12730.90	205%
PAT	20069.90	40816.49	43274.90	103%	77438.40	94261.60	22%
OPM	39%	52%	52%		38%	38%	
NPM	23%	37%	38%		23%	26%	
Tax Rate	11%	5%	4%		5%	12%	
Source: Cygnus Research							
Note: A: Actuals; E: Estimated; P: Projected							

2. Avaya Global connect Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	1236.17	1258.67	1260.38	2%	5703.39	5156.47	-10%
EBITDA	310.80	138.84	139.03	-55%	1132.05	1014.71	-10%
Depreciation	19.81	18.54	19.75	-6%	101.58	84.80	-17%
Interest	-24.88	-14.58	-14.63	-41%	-39.96	-42.03	5%
Other Income	0.00	0.00	0.00	0%	0.00	0.00	0%
PBT	290.99	120.30	119.28	-59%	1070.43	971.94	-9%
TAX	50.03	24.85	21.98	0.00	110.67	76.72	-31%
PAT	240.96	95.46	97.31	-60%	959.76	895.22	-7%
OPM	25.0%	11.0%	11.0%		20%	20%	
NPM	19%	7%	7%		17%	17%	
Tax Rate	17%	21%	18%		10%	8%	
Source: Cygnus Research							
Note: A: Actuals; E: Estimated; P: Projected							

3. Himachal Futuristic Communications Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	574.6	479.3	454.6	-17%	1390.99	2049.23	47%
EBITDA	88.6	-93.2	-88.4	-205%	-1831.51	-96.51	-95%
Depreciation	64.3	55.3	52.5	-14%	261.45	254.75	-3%
Interest	221.5	-9.2	-8.7	-104%	909.89	869.24	-4%
Other Income	9.5	26.3	24.9	0%	54.41	96.29	77%
PBT	-187.6	-113.1	-107.2	-40%	-2948.44	-1124.21	-62%
TAX	1.1	0.0	0.0	-100%	4.21	1.14	-73%
PAT	-188.7	-113.1	-107.2	-40%	-2952.65	-1125.35	-62%
OPM	15%	-19%	-19%		-132%	-5%	
NPM	-32%	-22%	-22%		-212%	-55%	
Tax Rate	-1%	0%	0%		0%	0%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

4. IDEA CELLULAR

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	29235.40	38223.75	40261.42	31%	98786.60	118957.70	20%
EBITDA	6952.30	7603.24	8013.42	9%	27804.50	28599.40	3%
Depreciation	3774.00	5053.68	5323.09	34%	12428.60	15512.00	25%
Interest	585.10	889.68	937.11	52%	4507.30	2063.20	-54%
Other Income	0.00	0.00	0.00	0%	0.00	663.10	0%
PBT	2593.20	1659.87	1753.21	-36%	10868.60	11687.30	8%
TAX	409.40	25.50	26.96	-94%	856.50	1150.70	34%
PAT	2183.80	1634.37	1726.25	-25%	10012.10	10536.60	5%
OPM	23%	19%	19%		28%	24%	
NPM	7%	4%	4%		10%	9%	
Tax Rate	16%	2%	2%		8%	10%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

5. Mahanagar Telephone Nigam Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	9194.42	10880.24	11132.76	18%	45765.25	37704.14	-18%
EBITDA	-8492.74	-3351.52	-3429.31	-61%	-4141.63	-34780.33	740%
Depreciation	1807.00	3682.93	3768.41	104%	7248.17	7285.28	1%
Interest	0.11	1406.25	1406.25	1278309%	30.22	7.11	-76%
Other Income	1007.60	278.53	285.00	0%	7276.78	11350.27	56%
PBT	-9292.25	-8162.17	-8318.97	-12%	-4143.24	-30722.45	642%
TAX	-531.31	0.00	0.00	-100%	948.51	-5905.42	-723%
PAT	-8760.94	-8162.17	-8318.97	-7%	-5091.75	-24817.03	387%
OPM	-92%	-31%	-31%		-9%	-92%	
NPM	-86%	-73%	-73%		-11%	-66%	
Tax Rate	6%	0%	0%		-23%	19%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

6. Reliance Communication Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	31084.60	30922.20	31029.46	-1%	136105.80	122906.10	-10%
EBITDA	201.90	738.88	741.44	266%	69172.30	8512.20	-88%
Depreciation	3921.90	3835.95	3849.26	-2%	19335.20	15112.40	-22%
Interest	-3427.70	1109.44	1113.28	-132%	2527.50	-10583.80	-519%
Other Income	12.00	81.22	81.50	0%	840.90	2211.10	163%
PBT	-280.30	-4125.29	-4139.60	1372%	48150.50	6194.70	-87%
TAX	96.80	0.00	0.00	-100%	124.00	1405.40	1033%
PAT	-377.10	-4125.29	-4139.60	994%	48026.50	4789.30	-90%
OPM	0.65%	2%	2%		51%	7%	
NPM	-1%	-13%	-13%		35%	4%	
Tax Rate	-35%	0%	0%		0%	23%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

7. Sterlite Technologies Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	8672.70	4605.70	4163.87	-47%	22892.30	24316.30	6%
EBITDA	1043.80	759.29	686.46	-27%	2341.40	3809.50	63%
Depreciation	131.70	113.75	102.84	-14%	425.20	482.60	13%
Interest	88.20	75.52	68.28	-14%	532.40	381.20	-28%
Other Income	129.10	26.99	24.40	0%	36.80	228.80	522%
PBT	953.00	597.01	539.74	-37%	1420.60	3174.50	123%
TAX	215.80	135.91	122.87	-37%	192.90	713.80	270%
PAT	737.20	461.10	416.87	-37%	1227.70	2460.70	100%
OPM	12%	16%	16%		10%	16%	
NPM	8%	9%	9%		5%	10%	
Tax Rate	23%	23%	23%		14%	22%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

8. Tata Communication Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	7697.50	9500.65	9280.99	23%	37494.30	32180.40	-14%
EBITDA	1556.20	2715.80	2917.32	75%	10945.30	9647.20	-12%
Depreciation	1515.60	1700.50	1904.95	12%	4252.70	5747.30	35%
Interest	567.50	676.59	934.34	19%	1286.20	2064.10	60%
Other Income	537.40	150.00	189.80	-72.09%	1728.50	1257.50	-27%
PBT	10.50	488.71	267.83	4554.38%	7134.90	3093.30	-57%
TAX	2807.50	362.00	184.01	-87%	1975.40	-1738.50	-188%
PAT	-2797.00	126.71	83.82	-105%	5159.50	4831.80	-6%
OPM	20%	28%	31%		29%	30%	
NPM	-34%	1%	1%		14%	15%	
Tax Rate	26%	74%	69%		28%	-56%	
Source: Cygnus Research Note: A: Actuals; E: Estimated; P: Projected							

9. Tata Teleservices (Maharashtra) Ltd.

(Rs in million)							
Item	Quarter			Growth Rate % Y o Y	Full Year Ended		
	OND 09 (A)	OND 10 (E)	JFM 11 (P)		March 09 (A)	March 10 (E)	Growth Rate %
Net Sales	5937.00	5964.60	6250.90	0%	20418.80	22491.00	10%
EBITDA	79.10	1421.74	1489.98	1697%	5810.97	5118.00	-12%
Depreciation	1341.00	1377.08	1443.18	3%	4467.90	5208.90	17%
Interest	844.30	845.40	885.98	0%	3047.80	3176.20	4%
Other Income	12.10	34.98	36.66	0%	120.80	287.10	138%
PBT	-2094.10	-765.76	-802.51	-63%	-1583.93	-2980.00	88%
TAX	0.00	0.00	0.00	0%	12.10	0.10	-99%
PAT	-2094.10	-765.76	-802.51	-63%	-1596.03	-2980.10	87%
OPM	1%	24%	24%		28%	23%	
NPM	-35%	-13%	-13%		-8%	-13%	
Tax Rate	0%	0%	0%		-1%	0%	
Source: Cygnus Research							
Note: A: Actuals; E: Estimated; P: Projected							

SOURCES & METHODS FOR COMPANY PROJECTIONS

Sources

- Company annual reports
- Press releases
- BSE India
- Research reports related to Economy, Industry and Company

Methods

- Understanding companies' product services
- Understanding industry and economic indicators and general economic scenario
- Understanding the dynamics between the companies and the industry in relation to demand and supply, technology, regulation, inflation, etc
- Understanding recent strategies and initiatives taken by companies such as product launches, capacity additions and M&As
- Making revenue projections based on the expected business strategies and financial analysis
- Validating the financial projections of the company with the overall business strategy
- Calculating the cost structure on the basis of sales and past and present trends in the industry
- Analysing quarterly growth rates and growth rates of last 8 quarters

The cut-off date for OND quarter results is January 18, 2011. Quarterly performance analysis of companies announcing their results after this date is based on Cygnus estimates.