

Telecom

GSM adds flat; Uninor falters, as new entrants fail to gain steam

GSM net additions flat MoM in May: GSM players added 11.2mn subscribers in May '10 just 0.7% above April net adds. We have excluded numbers for Reliance Communications as the company reports consolidated subscribers (GSM+CDMA). Except Bharti, all the incumbents showed a decline in net adds. The majority of the growth came from Videocon, that could be driven by multiple-SIM phenomenon in our view and we would wait for a few months to see sustainability of these numbers. From a sector perspective, subscriber additions have incrementally become less important given the significant number of dual-SIMs in new adds and significant difference between subscriber and revenue addition (as a number of new subscribers have significantly lower ARPU). We are fundamentally positive on the sector.

Bharti retains the top slot: Bharti retained the top spot in net adds with a market share of 27% reporting net adds of 3mn, flat MoM. The net adds fall for Idea finally showed some signs of moderating as net adds fell just 2% MoM, to 1.4mn following a 25%/13% decline in March/April. Net additions for Vodafone and BSNL slipped to 2.6mn and 1mn from 2.9mn and 1.3mn in April respectively.

Uninor sees a drop in subscribers: Uninor showed negative net adds in May, reporting subscriber reduction by 8,722 thereby reducing its subscriber base to 5.013mn. We note that Uninor has been seeing weak subscriber net adds for sometime now (700-800k) and even the other new players have not been able to get much traction among the subscribers. As such neither of Uninor, Etisalat or STel have managed to capture substantial net add market share, with the combined share of these three falling to just 1% in May from 8% in April.

Videocon shows strong numbers: Videocon has reported its subscriber numbers for the first time and has shown net adds of 1.4mn which is very strong more so given they have reported numbers of only 5 circles. They have also reported net adds of 607k from Mumbai alone, amounting to 76% market share. As such active subscriber definition is highly subjective and hence we remain a little sceptical on these numbers taking them with a pinch of salt. We would wait for a few more months before we become concerned about any possible threat from Videocon.

India Telecom: GSM subscriber data

Total subs ('000)	May-10	Apr-10	% MoM change	May-09	% YoY change
Bharti	133,620	130,619	2.3%	99,549	34.2%
VOD-Essar	106,347	103,756	2.5%	74,081	43.6%
BSNL	65,791	64,745	1.6%	48,177	36.6%
Idea*	66,727	65,288	2.2%	41,243	61.8%
Aircel	40,080	38,470	4.2%	20,686	93.8%
Uninor	5,013	5,022	-0.2%	NA	NA
STel	1,233	1,112	10.9%	NA	NA
MTNL	4,858	4,818	0.8%	4,422	9.8%
Total	427,985	416,729	2.7%	306,889	39.5%
Net adds	11,255	11,180	0.7%	8,737	28.8%

Source: COAI, RCML Research

* Includes Spice subscribers

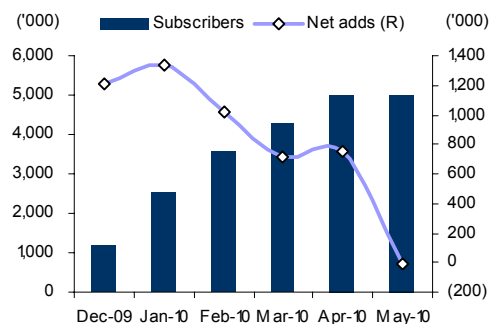
India Telecom: GSM net adds summary

Net Adds ('000)	May-10	Apr-10	% MoM
Bharti	3,000	3,000	0%
VOD-Essar	2,591	2,898	-11%
BSNL	1,046	1,259	-17%
Idea*	1,439	1,464	-2%
Aircel	1,610	1,608	0%
Uninor	-9	758	-101%
STel	121	106	14%
MTNL	40	33	21%
Others	1,417	55	2480%
Total	11,255	11,180	1%

Source: COAI, RCML Research

*Includes Spice subscribers

Uninor subscribers and net adds



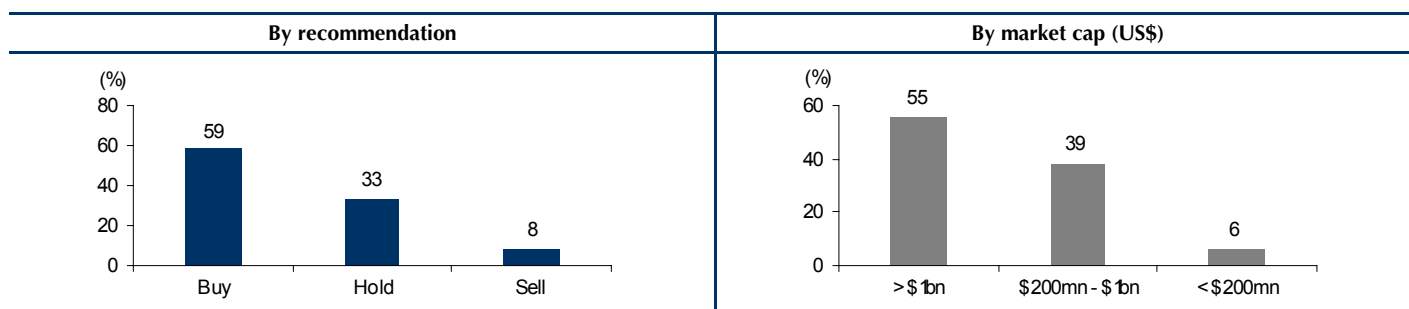
Source: COAI

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





Coverage Profile



Recommendation interpretation

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

Recommendation structure changed with effect from March 1, 2009

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

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