

June 2010

India Telecom

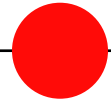
Monthly Trend – April 2010

Ambit Capital Pvt. Ltd

Analyst
Amit K. Ahire
Tel.: +91-22-3043 3202
amitahire@ambitcapital.com

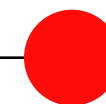


Key Highlights For The Month of April 2010



- 3G spectrum auction concluded with pan India auction amount reaching to Rs167.5bn
- Government fetched Rs677bn from the 3G auction
- BWA spectrum auction amount reached to Rs79.4bn for a pan India spectrum
- At the current rate, government would earn Rs238bn from BWA auction
- Total wireless subscriber base reached to 601mn at the end of April 2010, with an addition of 17mn subscribers during the month Vs 20.3mn subs in the previous month
- GSM segment added 11.2mn subscribers during April 2010 taking total GSM subscriber base to 416mn (ex RCom and Tata Tele)
- Bharti emerged as No.1 player in net adds after a long time by adding 3.0mn subscribers in April 2010
- Vodafone stood at second position by adding 2.95mn subscribers during the month as compared to 3.70mn subscribers in the previous month
- Circle B accounted for largest share in net adds, with an addition of 6.6mn subscribers
- UP (E) maintained its status as circle with highest net adds of 1.8mn subs

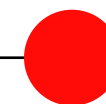
3G Spectrum Auction Snapshot



<i>Rs mn</i>	Bharti	Reliance	Vodafone	BSNL	Idea	Tata Tele	MTNL	Aircel	S Tel
Metro									
Delhi	33,169	33,169	33,169				33,169		
Kolkata		5,443	5,443	5,443				5,443	
Mumbai	32,471	32,471	32,471				32,471		
Category-A circles									
Andhra Pradesh	13,731			13,731	13,731			13,731	
Gujarat			10,761	10,761	10,761	10,761			
Karnataka	15,799			15,799		15,799		15,799	
Maharashtra			12,578	12,578	12,578	12,578			
Tamil Nadu	14,649		14,649	14,649				14,649	
Category-B circles									
Haryana			2,226	2,226	2,226	2,226			
Kerala				3,125	3,125	3,125		3,125	
Madhya Pradesh		2,584		2,584	2,584	2,584			
Punjab		3,220		3,220	3,220	3,220		3,220	
Rajasthan	3,210	3,210		3,210		3,210			
Uttar Pradesh (East)			3,646	3,646	3,646			3,646	
Uttar Pradesh (West)	5,140			5,140	5,140	5,140			
West Bengal	1,236	1,236	1,236	1,236				1,236	
Category-C circles									
Assam	415	415		415				415	
Bihar	2,035	2,035		2,035				2,035	2,035
Himachal Pradesh	372	372		372	372				372
Jammu and Kashmir	303	303		303	303			303	
North East	423	423		423				423	
Orissa		970		970				970	970
Total	122,955	85,850	116,179	101,866	57,686	58,643	65,640	64,995	3,377

Source: DoT, Ambit Capital Research

BWA Auction In Full Swing



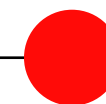
BWA auction as of Day 7

Service Area	Base Price (Rs mn)	Aggregate Demand @ Round 52	Excess Demand @ Round 52	Provision Winning Price (Rs mn)	% Change over Base Price
Delhi	1,600	4	2	11,730	633.1
Mumbai	1,600	4	2	11,730	633.1
Maharashtra	1,600	2	0	8,456	428.5
Gujarat	1,600	2	0	4,788	199.2
Andra Pradesh	1,600	2	0	8,097	406.1
Karnataka	1,600	2	0	9,479	492.5
Tamil Nadu	1,600	1	-1	10,845	577.8
Kolkata	600	3	1	4,246	607.7
Kerala	600	1	-1	1,672	178.6
Punjab	600	1	-1	2,491	315.2
Haryana	600	2	0	630	5.1
Uttar Pradesh (East)	600	2	0	864	44.1
Uttar Pradesh (West)	600	1	-1	1,569	161.5
Rajasthan	600	2	0	612	2.0
Madhya Pradesh	600	1	-1	689	14.8
West Bengal	600	1	-1	606	1.0
Himachal Pradesh	150	1	-1	150	-
Bihar	150	1	-1	170	13.4
Orissa	150	1	-1	156	4.0
Assam	150	1	-1	150	-
North East	150	1	-1	150	-
Jammu and Kashmir	150	1	-1	150	-
Total	17,500			79,431	353.9

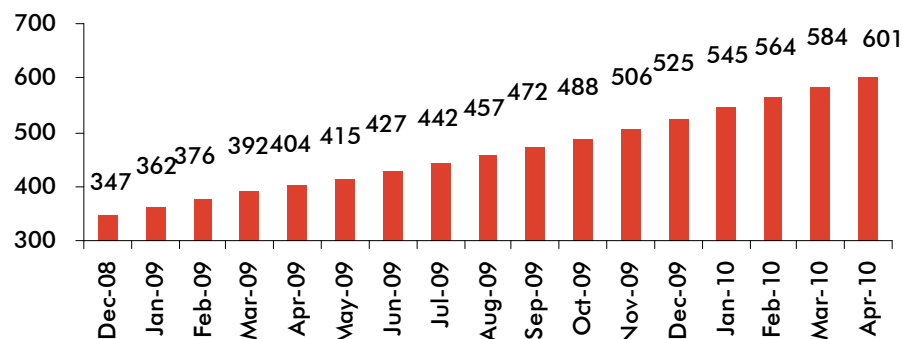
- There are only two slots available whereas 11 players are in the fray for 20MHz of BWA spectrum.
- At the current prices, government is expected to earn Rs238bn

Source: DoT, Ambit Capital Research

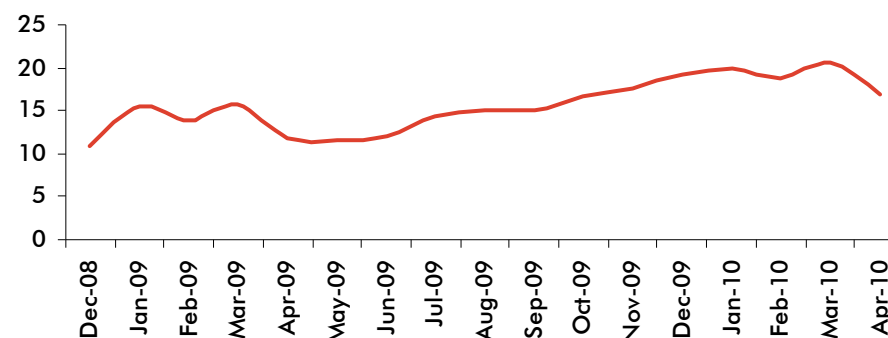
Industry Subscriber Base



Total wireless subscriber base



Trend in wireless subscriber net adds



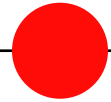
Wireless subscriber base reached to 601mn, indicating a teledensity of 51%

Subs in mn	Apr-09	Mar-10	Apr-10	MoM inc in Subs	YoY inc in subs
Metro	62.0	78.8	80.7	2.0	18.8
Circle A	142.2	204.7	210.7	6.0	68.5
Circle B	151.5	224.0	230.6	6.6	79.1
Circle C	48.0	76.8	79.2	2.3	31.2
Total	403.7	584.3	601.2	16.9	197.6

Circle B continues to account for highest number of net adds per month

Source for all the above charts & table: Company, Ambit Capital Research

Market Share Trend



Playerwise Subs Base

in mn	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Bharti	118.9	121.7	124.6	127.6	130.6
Reliance	93.8	96.6	99.4	102.4	105.2
Vodafone	94.1	96.8	100.0	103.7	106.7
Tata	57.3	60.3	63.2	65.9	67.9
MTNL	4.9	4.9	5.0	5.1	5.1
Idea	57.6	59.9	62.1	63.8	65.3
BSNL	62.9	65.1	66.8	69.5	70.6
Aircel	31.0	33.0	34.9	36.9	38.5
HFCL	0.3	0.3	0.3	0.3	0.4
Shyam	3.0	3.3	3.2	3.8	4.2
Uninor	1.2	2.5	3.6	4.3	5.0
S Tel	0.1	0.5	0.7	1.0	1.1
Etisalat	-	-	-	0.0	0.0
Videocon	-	-	-	0.0	0.7
Total	525.1	545.0	563.7	584.3	601.2

% Market Share

in %	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Bharti	22.6	22.3	22.1	21.8	21.7
Reliance	17.9	17.7	17.6	17.5	17.5
Vodafone	17.9	17.8	17.7	17.7	17.7
Tata	10.9	11.1	11.2	11.3	11.3
MTNL	0.9	0.9	0.9	0.9	0.9
Idea	11.0	11.0	11.0	10.9	10.9
BSNL	12.0	11.9	11.8	11.9	11.7
Aircel	5.9	6.1	6.2	6.3	6.4
HFCL	0.1	0.1	0.1	0.1	0.1
Shyam	0.6	0.6	0.6	0.6	0.7
Uninor	0.2	0.5	0.6	0.7	0.8
S Tel	0.0	0.1	0.1	0.2	0.2
Etisalat	-	-	-	0.0	0.0
Videocon	-	-	-	0.0	0.1
Total	100.0	100.0	100.0	100.0	100.0

After a long gap, Bharti regains its market leadership in subscriber net adds by adding 3mn subs

Monthly Net Adds

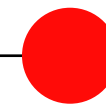
in mn	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Bharti	2.85	2.85	2.90	3.00	3.00
Reliance	2.81	2.80	2.81	3.01	2.73
Vodafone	2.85	2.79	3.16	3.70	2.95
Tata	3.34	2.98	2.84	2.79	1.94
MTNL	0.06	0.05	0.08	0.10	0.03
Idea	1.71	2.28	2.26	1.68	1.46
BSNL	2.08	2.25	1.65	2.69	1.18
Aircel	1.67	2.01	1.83	2.00	1.61
Spice	-	-	-	-	-
HFCL	(0.00)	(0.02)	0.00	0.00	0.03
Shyam	0.40	0.21	(0.08)	0.60	0.44
Uninor	1.21	1.33	1.02	0.71	0.76
S Tel	0.14	0.36	0.21	0.29	0.11
Total	19.10	19.90	18.69	20.59	16.90

% Share in Net Adds

	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Bharti	14.9	14.3	15.5	14.6	17.8
Reliance	14.7	14.1	15.1	14.6	16.2
Vodafone	14.9	14.0	16.9	18.0	17.4
Tata	17.5	15.0	15.2	13.5	11.5
MTNL	0.3	0.2	0.4	0.5	0.2
Idea	8.9	11.4	12.1	8.2	8.7
BSNL	10.9	11.3	8.8	13.1	7.0
Aircel	8.7	10.1	9.8	9.7	9.5
Spice	-	-	-	-	-
HFCL	(0.0)	(0.1)	0.0	0.0	0.2
Shyam	2.1	1.1	(0.4)	2.9	2.6
Uninor	6.3	6.7	5.4	3.4	4.5
S Tel	0.7	1.8	1.1	1.4	0.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Company, Ambit Capital Research

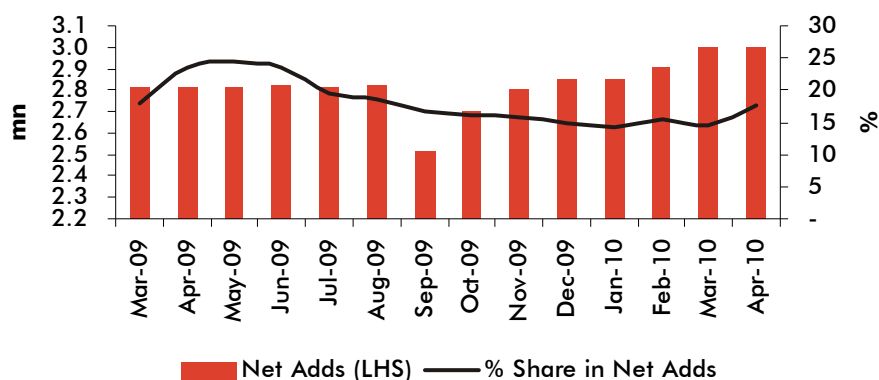
Operatorwise Performance



Bharti Airtel

- Maintained its trend in subs net add and added 3.0mn subs in April 2010
- Increase its share in net adds to 17.8% as compared to 14.6% in the previous moth
- As of April 2010, market share stood at 21.7%
- Won 3G spectrum in 13 circles leading to cash outflow of Rs122.9bn
- The winning circles account for 63% subs market share and 63% rev market share

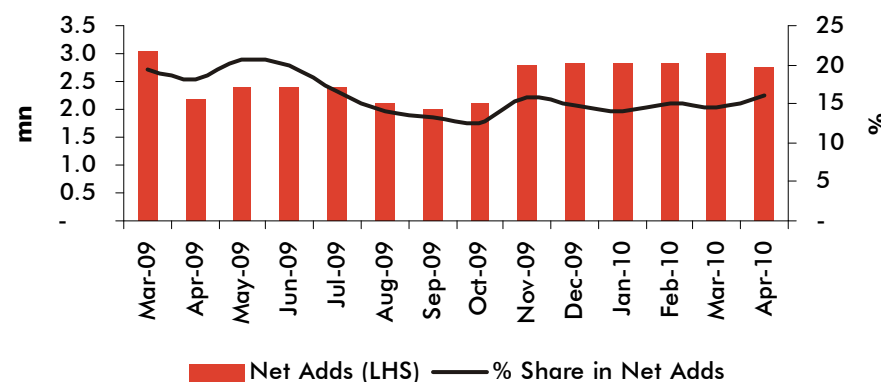
Trend in Subs net adds



RCom

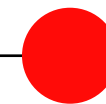
- Subscriber net adds slipped to 2.7mn in April from 3mn in the previous month
- Increased its share in net adds to 16.2% from 14.6% in Mar 2010
- Its market share remained flat at 17.5% at the end of April 2010
- Won 3G spectrum in 13 circles leading to cash outflow of Rs85.8bn
- The winning circles account for 48% subs market share and 55% rev market share

Trend in Subs net adds



Source: COAI, AUSPI, TRAI, Ambit Capital Research

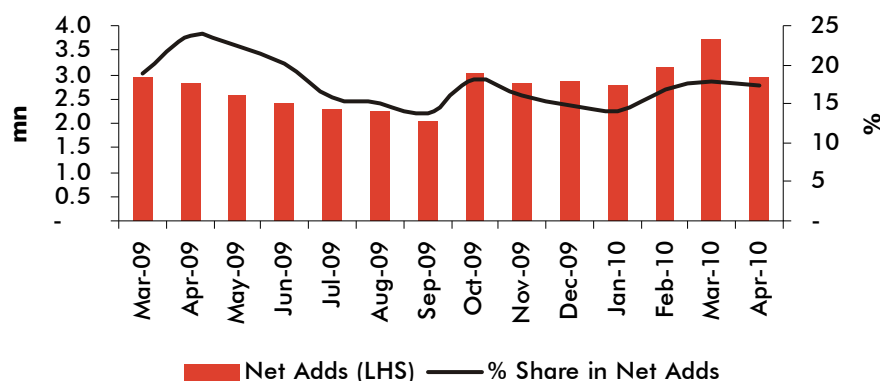
Operatorwise Performance



Vodafone-Essar

- Continued its trend of strong subs net adds and added 2.95mn subs Vs 3.7mn in the previous month
- Its market share in net adds stood at 17.4% during the month
- Its subscriber market share remained steady at 17.7%
- Won 3G spectrum in 9 circles leading to cash outflow of Rs116bn
- The winning circles account for 60% subs market share and 68% rev market share

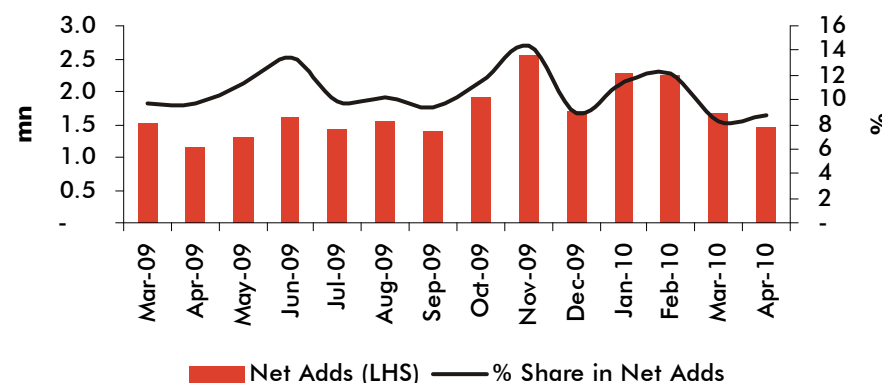
Trend in Subs net adds



Idea Cellular

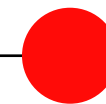
- Subscriber net adds continued to witness declining trend and added 1.46mn subs during April 2010 Vs 1.68 in March 2010 and 2.26mn in Feb 2010
- Its market share in net adds improved to 8.7% Vs 8.2% in the previous month
- Its market share stood at 10.9% as of April 2010
- Won 3G spectrum in 11 circles leading to cash outflow of Rs57.7bn
- The winning circles account for 77% subs market share and 80% rev market share

Trend in Subs net adds



Source: COAI, AUSPI, TRAI, Ambit Capital Research

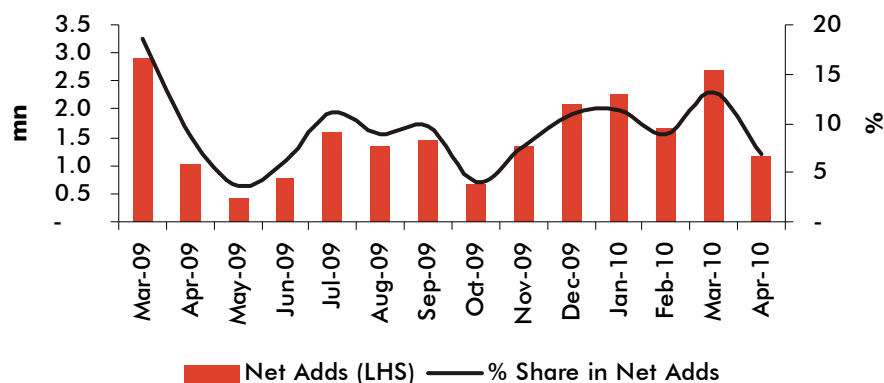
Operatorwise Performance



BSNL

- Net additions slipped to 1.2mn in April 2010 Vs 2.7mn in the previous month
- Its market share in net adds also slipped to 7% as against 13% in the previous month
- Its market share stood at 11.7% as of April 2010
- Have already received 3G spectrum at a pan India (Ex Mumbai and Delhi), which would lead to a cash outflow of Rs101.8bn

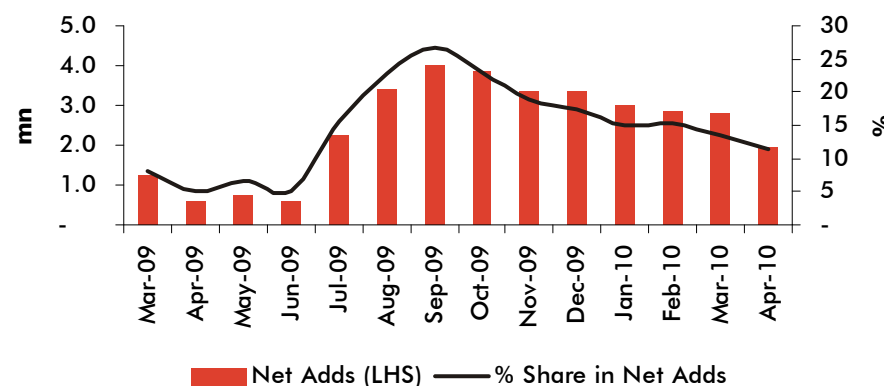
Trend in Subs net adds



Tata Tele

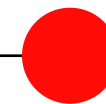
- Net additions slipped to 1.9mn in April 2010 Vs 2.8mn in the previous month
- Its market share in net adds stood at 11.5% during the month (13.5% in Mar 2010)
- Its market share stood at 11.3% as of April 2010
- Won 3G spectrum in 9 circles leading to cash outflow of Rs58.6bn
- The winning circles account for 48% subs market share and 43% rev market share

Trend in Subs net adds



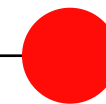
Source: COAI, AUSPI, TRAI, Ambit Capital Research

View on The Sector: Negative

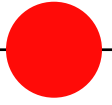


- We remain negative on the Indian telecom sector. We believe that incremental revenues from 3G services would not be commensurate with the incremental opex incurred towards running an 3G network in terms of NOC and selling and marketing expense. Earnings will be further impacted due to increase in amortization and interest expenses after the deployment of 3G network. The ongoing BWA spectrum auction will lead to further cash outflow thereby putting pressure on balance sheet
- We expect MNP to lead to another tariff war in the industry, mainly focusing on postpaid subscribers. This is expected to result in higher churn in the postpaid segment, which stands at a low of ~1% per month currently. In our view, MNP will lead to higher QoS, customer care services and marketing spend, which will put pressure on financials
- Heightened competition coupled with regulatory uncertainty in terms of excess charges levied on operators, would continue to put stocks under pressure
- We maintain SELL on Bharti Airtel, RCom and Idea Cellular

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Ambit Capital Pvt Ltd.

Ambit House, 3rd Floor,

449, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

Phone : +91-22-3043 3000, Fax : +91-22-3043 3100

