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India Research



Sector: Telecom Services

Monthly Update

Indian wireless subscriber market grew by 3% sequentially in May 2009, adding 11.58 mn subscribers and taking the total wireless subscriber base to 415.25 mn...

Bharti Airtel remains the leader in wireless market in terms of subscribers, with share of 24%, followed by RCOM at 18.6% & Vodafone Essar at 17.8%...

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IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.



Key Highlights...

- *In May 2009, the total number of telephone connections in India reached 452.91 mn, as against 441.47 mn in April 2009*
- *The total wireless subscribers (GSM, CDMA & WLL (F)) base stood at 415.25 mn at the end of May 2009*
- *A total of 11.58 mn wireless subscribers were added in May 2009, as against 11.90 mn in April 2009*
- *In May 2009, India's tele-density reached the 38.88 mn mark, as against 37.94 mn in April 2009*
- *BSNL played spoil sport by adding merely 0.42 mn subscribers in May 2009, as against 1.03 mn in April 2009*
- *Reliance Communications improved its performance on the net subscriber additions front by recording a sequential growth of 10% in net additions for May 2009, as against a decline of 28% in April 2009*
- *Bharti Airtel added the maximum number of subscribers, with 2.8 mn incremental subscribers added in May 2009, followed by Vodafone Essar at 2.54 mn and Reliance Communications at 2.39 mn*
- *Bharti Airtel remained the leader in the wireless market in terms of subscribers in May 2009, with a market share of 24%, followed by RCOM at 18.6% and Vodafone Essar at 17.8%*



The Story...

The Indian telecom industry posted a growth of 3% M-o-M in total wireless subscribers in May 2009, with 11.58 mn subscribers added in the month, thus taking the country's total wireless subscriber base to 415.25 mn, with an overall tele-density of 38.88%.

The total incremental subscriber additions for May 2009 declined 3% sequentially, as against 24% in April 2009

Though there was a decline in net subscriber additions in May 2009, the decline was much lower in comparison to that in April 2009. The total incremental subscriber additions for May 2009 declined 3% sequentially, as against 24% in April 2009.

Following the continuous decline in subscriber additions recorded since February 2009, RCOM finally improved its performance in May

2009 adding 2.39 mn subscribers, posting a growth of 10% sequentially in net subscriber additions, as against a decline of 28% in April 2009. India's state owned telco, BSNL played spoil sport this time around, by adding merely 0.42 mn subscribers for May 2009, as against 1.03 mn in April 2009. BSNL also lost subscribers to other players in a number of circles in May 2009. Bharti Airtel recorded the highest number of net additions for the month at 2.81 mn, followed by Vodafone Essar at 2.54 mn. Bharti Airtel remained the leader in the wireless market in terms of subscribers with a share of 24%, followed by RCOM at 18.6% and Vodafone Essar at 17.8%. In May 2009, the industry witnessed the launch of GSM services by Idea Cellular in Tamil Nadu and CDMA services by Sistema Shyam in Chennai.

India's state owned telco, BSNL played spoil sport this time around, by adding merely 0.42 mn subscribers for May 2009, as against 1.03 mn in April 2009...

...Bharti Airtel remained the leader in the wireless market in terms of subscribers with a share of 24%, followed by RCOM at 18.6% and Vodafone Essar at 17.8%

Read on for details...



Sector Overview

In May 2009, India's total wireless subscriber's base (GSM, CDMA & WLL (F)) stood at 415.24 mn, marking a growth of 3% M-o-M. A total of 11.58 mn subscribers were added in May 2009, down 3% from 11.9 mn subscribers added in April 2009. BSNL showed dismal performance during the month adding only 0.43 mn subscribers during May, 2009 as against 1.03 mn for April, 2009. It also lost its subscribers market share in a number of circles in May 2009. However, there was an improvement in the number of overall incremental subscribers in May 2009, with net additions for the month down 3% M-o-M, as against a decline of 24% in April 2009, led by Bharti Airtel, Reliance Communications and Idea Cellular.

There was an improvement in the number of overall incremental subscribers in May 2009, with net additions for the month down 3% M-o-M, as against a decline of 24% in April 2009

India's overall tele-density reached 38.88% at the end of May 2009, as against 37.94% at the end of April 2009. The metros, which had recorded the highest overall M-o-M decline of 40% in net additions in April 2009, posted a growth of 3% M-o-M in net additions in May 2009. Similarly, net additions in the 'B' circle declined merely 2% M-o-M in May 2009, as against a decline of 25% in April 2009, though the 'C' circle continued to record M-o-M decline in net additions, down 11% in May 2009. The higher capital expenditure and time involved in expanding into the 'C' circle can be attributed as the reason for the slower rate in subscriber additions in the region.

Idea Cellular launched its GSM service in Tamil Nadu and Sistema Shyam launched its CDMA service in Chennai circle in May 2009. Bharti Airtel retained its No 1 position in the overall wireless market in terms of subscribers, with a share of 24%, followed by RCOM with 18.6% and Vodafone Essar with 17.8%.

Monthly performance of telecom service providers

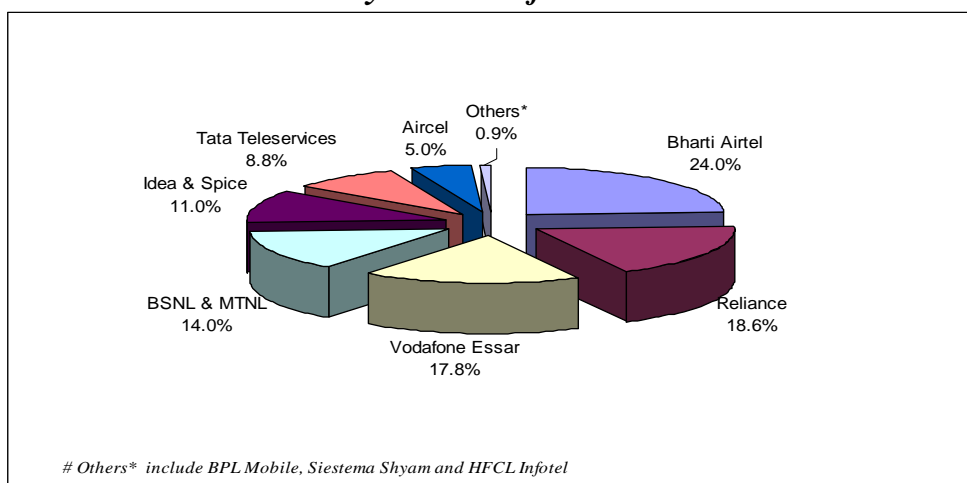
(Subscribers in mn)

Operator/ Service Provider	Wireless Subscribers (Apr '09)	Net Additions (Apr '09)	Wireless Subscribers (May '09)	Net Additions (May '09)	M-o-M (%)
Bharti Airtel	96.73	2.81	99.55	2.81	3%
Reliance	74.84	2.17	77.22	2.39	3%
Vodafone Essar	71.54	2.77	74.08	2.54	3.5%
BSNL & MTNL	57.7	1.08	58.17	0.46	1%
Idea & Spice	44.17	1.15	45.48	1.3	3%
Tata Teleservices	35.73	0.61	36.49	0.76	2%
Aircel	19.58	1.11	20.69	1.1	5.6%
Others*	3.36	0.21	3.58	0.22	6.5%

Source: TRAI, COAI, FG Estimates



Market share by number of wireless subscribers



Source: TRAI, COAI, FG Estimates

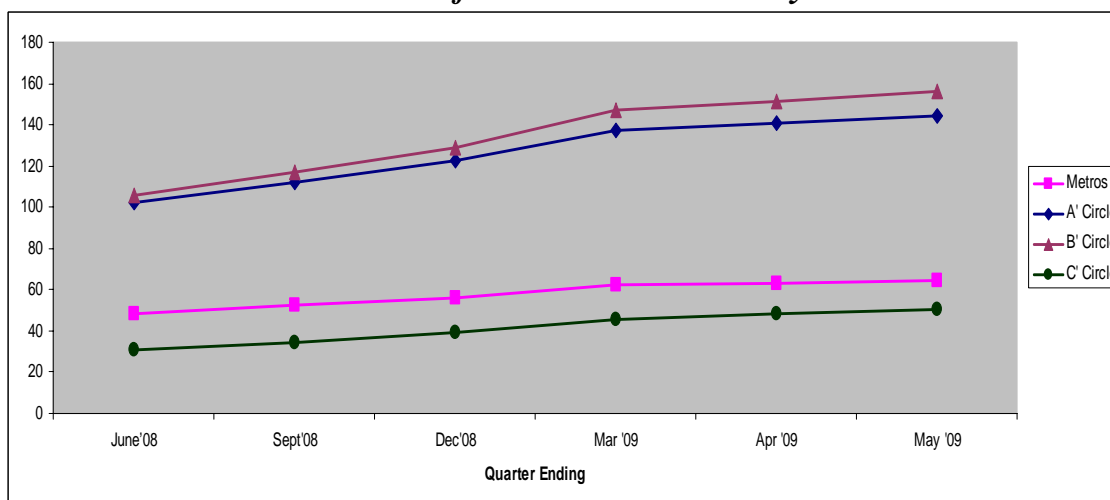
Number of wireless subscribers by circle

(Subscribers in mn)

Category	No. of Service Areas	Wireless Subscribers Mar'09	Wireless Subscribers Apr'09	Net Additions (Apr'09)	M-o-M Net Additions (Apr'09) (%)	Wireless Subscribers May '09	Net Additions (May'09)	M-o-M (%)	M-o-M Net Additions (May'09) (%)
Metros	4	62.09	63.36	1.27	-40%	64.67	1.31	2%	3%
A' Circle	5	137.18	140.76	3.57	-23%	144.32	3.56	3%	0%
B' Circle	8	146.82	151.52	4.7	-25%	156.14	4.62	3%	-2%
C' Circle	6	45.67	48.02	2.35	-11%	50.11	2.09	4%	-11%
All India	23	391.76	403.66	11.9	-24%	415.24	11.58	3%	-3%

Source: TRAI, COAI, FG Estimates

Growth trend of wireless subscribers by circle



Source: TRAI, COAI, FG Estimates



Bharti Airtel

Bharti Airtel continued with its strong performance in May 2009 as well and retained its No.1 position in terms of wireless subscriber additions by adding 2.8 mn subscribers, marking a growth of 3% M-o-M. The company remained the largest telecom service provider in India, with a market share of 24% in terms of wireless subscribers. Over the past few months, Bharti Airtel has been steadily adding approximately 2.8 mn subscribers, irrespective of the GSM rollout by other players in the same period. The company retained its market position in all the circles, except U.P. (E), where it moved up one slot to become the No.2 player in the circle ahead of BSNL. However, a matter of concern is the decline in market share in 14 of the 23 circles it operates during the month.

The company remained the largest telecom service provider in India, with a market share of 24% in terms of wireless subscribers

Performance of Bharti Airtel by circle-monthly analysis

(Subscribers in mn)

	City/Circle	Jan'09	Feb'09	Mar'09	Apr'09	May'09	Market share/circle	Rank in circle	Change in market share over the Month	No. of Telecom operators/circle (May '09)
Metros	Delhi	4.57	4.67	4.81	4.91	5.01	21.8%	1	-0.07%	7
	Mumbai	2.76	2.79	2.80	2.81	2.82	14.1%	3	-0.24%	8
	Chennai	2.09	2.13	2.18	2.21	2.27	23.8%	2	0.23%	7
	Kolkata	2.40	2.46	2.49	2.51	2.53	20.8%	3	-0.20%	6
A' Circle	Maharashtra	5.54	5.69	6.00	6.02	6.04	18.3%	2	-0.34%	6
	Gujarat	3.93	3.98	4.10	4.20	4.25	16.9%	2	-0.15%	6
	A.P.	8.59	8.89	9.09	9.47	9.82	30.5%	1	0.25%	7
	Karnataka	9.60	9.82	10.00	10.14	10.32	41.8%	1	-0.36%	7
	T.N.	5.80	6.00	6.21	6.36	6.57	22.3%	2	0.10%	8
B' Circle	Kerala	2.11	2.17	2.29	2.42	2.50	14.4%	5	0.10%	8
	Punjab	3.71	3.75	3.78	3.82	3.86	25.2%	1	-0.06%	7
	Haryana	1.24	1.25	1.26	1.27	1.28	12.4%	6	-0.16%	6
	U.P.(W)	2.20	2.26	2.37	2.42	2.47	11.9%	5	-0.11%	7
	U.P.(E)	5.55	5.72	5.91	6.15	6.47	22.0%	2	0.24%	7
	Rajasthan	6.41	6.70	6.87	7.27	7.57	31.1%	1	0.24%	7
	M.P.	4.33	4.47	4.62	4.83	5.00	22.8%	3	0.12%	6
C' Circle	W.B. & A & N	3.32	3.50	3.62	3.76	3.89	23.1%	2	-0.02%	6
	H.P.	0.94	0.95	0.96	0.97	0.99	28.1%	2	-0.16%	7
	Bihar	6.85	7.15	7.49	7.78	8.16	35.4%	1	0.06%	7
	Orissa	2.71	2.81	3.00	3.12	3.25	34.0%	1	-0.09%	7
	Assam	1.35	1.45	1.50	1.62	1.68	26.8%	2	0.21%	6
	N.E.	0.84	0.89	0.92	0.97	1.01	27.0%	2	-0.27%	6
	J & K	1.52	1.59	1.63	1.71	1.79	45.1%	1	-0.49%	6

Source: TRAI, COAI, FG Estimates



Reliance Communications

Reliance Communications retained its No.3 position in terms of net incremental wireless subscribers by adding 2.39 mn subscribers in May 2009. The company recorded a growth of 3% M-o-M in subscriber additions for the month, up from 2.17 mn in April 2009. Incremental subscriber additions grew 10% in May 2009, as against a decline of 28% in April 2009. There was some relief for RCOM in May 2009, as the company's net subscriber additions, which had been on a declining trend since February 2009, finally recorded an increase in the month. RCOM is India's second largest telecom service provider and the largest CDMA provider, with a share of 18.6% in the wireless subscriber market. RCOM improved its position in the Delhi circle and moved ahead of Vodafone Essar to the No. 3 position. However, the company lost its market leadership position in the Mumbai circle to Vodafone Essar and fell to the No. 2 position.

There was some relief for RCOM in May 2009, as the company's net subscriber additions, which had been on a declining trend since February 2009, finally recorded an increase in the month

Performance of Reliance Communications by circle-monthly analysis

(Subscribers in mn)

	City/Circle	Jan'09	Feb'09	Mar'09	Apr'09	May'09	Market share/circle	Rank in circle	Change in market share over the Month	No. of Telecom operators/circle (May 09)
Metro	Delhi	3.20	3.34	3.94	4.07	4.27	18.60%	3	0.46%	7
	Mumbai	4.25	4.30	4.41	4.45	4.51	22.53%	2	-0.15%	8
	Chennai	1.36	1.36	1.39	1.40	1.41	14.76%	4	-0.21%	7
	Kolkata	2.50	2.62	2.72	2.79	2.90	23.88%	2	0.52%	6
A' Circle	Maharashtra	3.86	4.35	4.48	4.87	5.02	15.25%	4	0.14%	6
	Gujarat	3.86	3.90	4.02	4.07	4.23	16.86%	3	0.32%	6
	A.P.	5.06	5.67	5.61	5.66	5.77	17.95%	2	-0.14%	7
	Karnataka	4.02	4.06	3.99	4.08	4.26	17.24%	2	0.30%	7
	T.N.	3.46	3.83	4.04	4.09	4.16	14.14%	4	-0.14%	8
B' Circle	Kerala	2.61	2.65	2.68	2.69	2.73	15.75%	4	-0.18%	8
	Punjab	1.31	1.49	1.70	1.79	1.83	11.96%	5	0.11%	7
	Haryana	1.28	1.51	1.77	1.87	1.90	18.38%	2	-0.09%	6
	U.P.(W)	3.08	3.42	3.79	3.92	4.16	20.08%	3	0.55%	7
	U.P.(E)	4.71	4.80	5.01	5.31	5.55	18.90%	4	0.08%	7
	Rajasthan	2.97	3.08	3.20	3.26	3.44	14.16%	3	0.28%	7
	M.P.	5.80	5.95	6.17	6.37	6.53	29.73%	1	-0.15%	6
	W.B. & A & N	2.78	2.90	3.03	3.12	3.28	19.49%	3	0.27%	6
C' Circle	H.P.	0.98	1.00	1.01	1.04	1.06	29.99%	1	-0.13%	7
	Bihar	5.36	5.49	5.67	5.84	5.97	25.87%	2	-0.64%	7
	Orissa	1.97	2.02	2.09	2.16	2.20	23.04%	2	-0.60%	7
	Assam	1.40	1.41	1.42	1.43	1.42	22.63%	3	-0.76%	6
	N.E.	0.47	0.47	0.47	0.47	0.47	12.56%	4	-0.56%	6
	J & K	0.00	0.01	0.06	0.10	0.15	3.88%	4	1.15%	6

Source: TRAI, COAI, FG Estimates



Idea Cellular

Idea Cellular, India's fifth largest telecom service provider, managed to increase its incremental wireless subscribers by adding 1.3 mn subscribers in May 2009, as against 1.15 mn in April 2009. Idea's market position remained intact in May 2009, though its market share increased in nine out of the 16 circles in which the company operates. Idea also launched its GSM services in Tamil Nadu at the end of May 2009 and managed to increase its market share in its newly launched circles of Orissa, Bihar and Mumbai. The company plans to roll out its services across all the 23 circles by the end of FY10. Idea, along with Spice Communications, continued to enjoy a share 11% in the wireless subscribers market in May 2009 as well.

Idea's market position remained intact in May 2009, though its market share increased in nine out of the 16 circles in which the company operates

Performance of Idea Cellular by circle-monthly analysis

(Subscribers in mn)

	City/Circle	Jan'09	Feb'09	Mar'09	Apr'09	May'09	Market share/circle	Rank in circle	Change in market share over the month	No. of Telecom operators/ Circle (May 09)
Metros	Delhi	2.31	2.40	2.41	2.36	2.33	10.12%	5	-0.38%	7
	Mumbai	0.60	0.69	0.75	0.83	0.86	4.28%	7	0.07%	8
A' Circle	Maharashtra	7.04	7.23	7.48	7.63	7.80	23.68%	1	0.03%	6
	Gujarat	3.70	3.80	3.92	4.02	4.08	16.26%	4	-0.09%	6
	A.P.	4.80	4.94	5.05	5.19	5.29	16.45%	3	-0.14%	7
	Karnatka	1.57	1.62	1.65	1.68	1.72	6.94%	5	-0.06%	7
	Tamil Nadu					0.01	0.02%	8	NA	8
B' Circle	Kerala	4.08	4.24	4.37	4.47	4.61	26.60%	1	0.08%	8
	Punjab	2.38	2.43	2.48	2.49	2.52	16.47%	3	0.01%	7
	Haryana	1.48	1.56	1.58	1.58	1.60	15.44%	4	-0.13%	6
	U.P.(W)	3.75	3.90	4.09	4.21	4.28	20.68%	2	-0.26%	7
	U.P.(E)	1.80	1.92	2.00	2.09	2.25	7.67%	5	0.28%	7
	Rajasthan	1.20	1.21	1.23	1.25	1.29	5.30%	6	-0.02%	7
	M.P.	4.63	4.83	5.02	5.21	5.40	24.59%	2	0.15%	6
C' Circle	H.P.	0.13	0.14	0.14	0.14	0.15	4.26%	4	0.09%	7
	Bihar	0.53	0.61	0.86	1.00	1.20	5.21%	7	0.66%	7
	Orissa				0.04	0.10	1.05%	7	0.67%	7

Source: TRAI, COAI, FG Estimates



IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, Discounted Cash Flow (DCF) and its stock price history

No ratings have been given in this report.



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