

Equities

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India Wireless

Alert: Another Tariff Hike – White Noise?

■ Industry Overview

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- **Operators taking another 20-30% hike?** – Media reports indicate that operators plan to take one more round of tariff hike (20-30%) in pre-paid in the next 12 months. This would be over and above the 20% hike taken in July when tariffs went up from 1p to 1.2p/sec. Arguments for the hike include: 1) need to service high debt; 2) operators losing money (excl top 3); and 3) offset any potential increase in levies.
- **Will tariffs go up?** – We believe that such a hike looks unlikely and could be operators applying pressure on the government to reduce potential regulatory outgo (excess spectrum charges/license renewals) and prevent adverse regulations (read spectrum refarming) as part of the new policy. In addition, Uninor having seen success (increase in rev mkt share, declining losses) with its strategy of keeping tariffs at a disc, is unlikely to follow, constraining the incumbents. Politically too, it will be difficult for operators to justify another large hike.
- **What could the operators do instead?** – We believe that the operators could instead take selective hikes in relatively inelastic segments – Bharti raised ILD tariffs in mid-Nov, Vodafone raised post-paid tariffs in Delhi with plans on expanding this hike to other circles. This should provide cushion against any cuts (in pre-paid) by operators across some circles to counter falling rev market share.
- **Continue to maintain our positive stance** – We believe that our estimate of a 5% increase in rev/min from July-11 increase is reasonable. The incumbents will see benefit of rising rev/min over the next 1-2 qtrs which should also help expand margins and support growth. Idea remains the Top Pick although Bharti looks relatively better positioned to withstand adverse regulations.

Figure 1. Statistical Abstract

Company name	RIC code	Rating	M Cap	Price (Rs)	P/E (x)		EV/EBITDA (x)	
			US\$M	1-Feb-12	FY12E	FY13E	FY12E	FY13E
Bharti	BRTI.BO	1	27,986	365	21.5	13.8	7.9	6.5
RCOM	RLCM.BO	1H	4,127	99	14.4	10.1	7.6	6.5
Idea	IDEA.BO	1	6,336	95	50.8	25.4	8.8	7.0

Source: Citi Investment Research and Analysis estimates

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Appendix A-1

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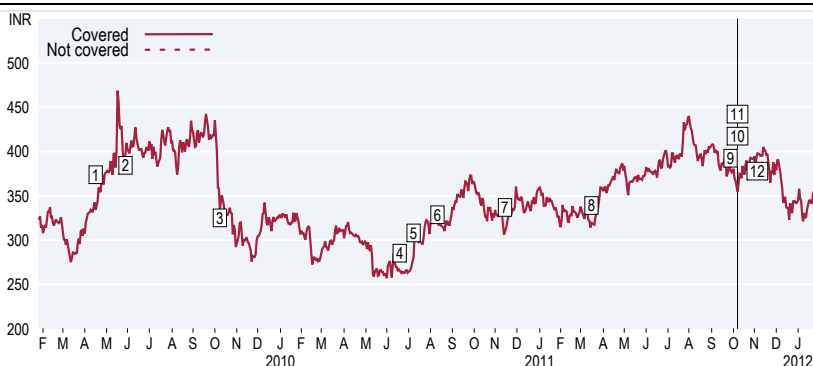
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Bharti Airtel (BRTI.BO)

Ratings and Target Price History Fundamental Research

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010



	Date	Rating	Target Price	Closing Price
1	16-Apr-09	1L	*420.00	334.38
2	28-May-09	1L	*465.00	397.60
3	8-Oct-09	*2L	*370.00	334.65
4	18-Jun-10	2L	*303.00	264.85

* Indicates change

	Date	Rating	Target Price	Closing Price
5	8-Jul-10	2L	*300.00	280.85
6	11-Aug-10	2L	*350.00	319.70
7	15-Nov-10	*1L	*400.00	309.50
8	16-Mar-11	1L	*415.00	320.45

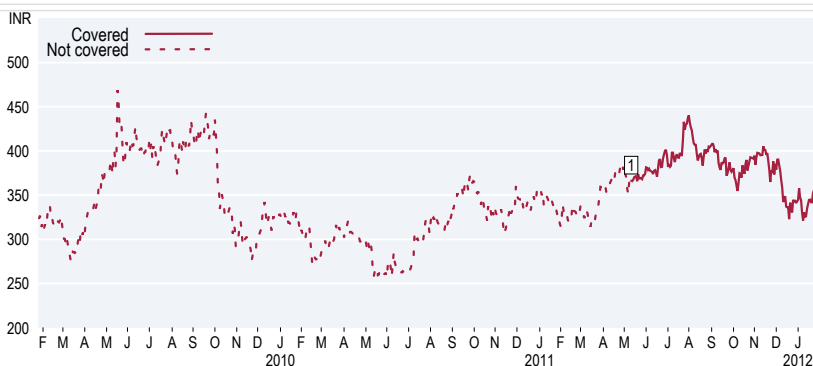
	Date	Rating	Target Price	Closing Price
9	28-Sep-11	1L	*453.00	378.75
10	7-Oct-11	Stock rating system changed		
11	7-Oct-11	*1	453.00	354.80
12	4-Nov-11	1	*452.00	397.95

Rating/target price changes above reflect Eastern Standard Time

Bharti Airtel (BRTI.BO)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010



	Date	Rating	Target Price	Closing Price
1	11-May-11	*ADD MP	-	366.35

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

IDEA Cellular (IDEA.BO)
Ratings and Target Price History
Fundamental Research

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010



	Date	Rating	Target Price	Closing Price
1	26-Apr-09	*2M	*67.00	60.55
2	28-May-09	*3M	*80.00	78.65
3	8-Oct-09	3M	*55.00	62.50
4	8-Jul-10	3M	*50.00	59.00

	Date	Rating	Target Price	Closing Price
5	22-Nov-10	3M	*72.00	71.65
6	16-Mar-11	*1M	*79.00	60.20
7	31-Jul-11	*1L	*105.00	94.35
8	28-Sep-11	1L	*120.00	98.20

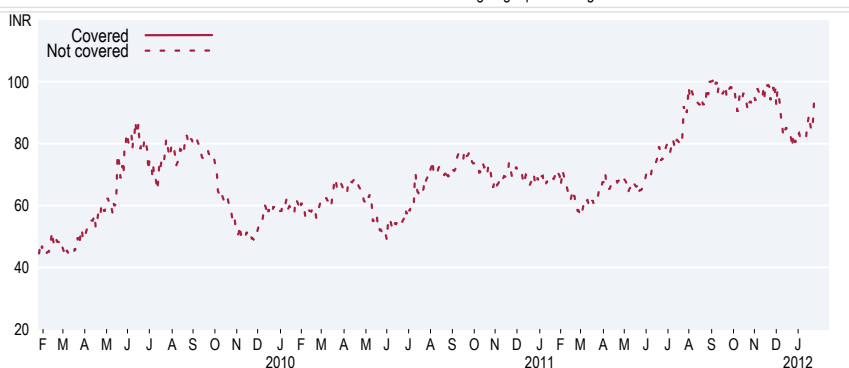
	Date	Rating	Target Price	Closing Price
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*1	120.00	90.30
11	21-Oct-11	1	*118.00	91.40
12	13-Jan-12	1	*111.00	85.45

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

IDEA Cellular (IDEA.BO)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010

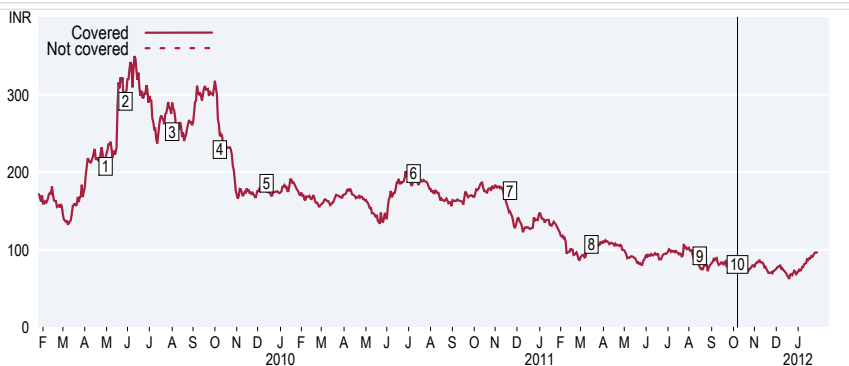


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Rating/target price changes above reflect Eastern Standard Time

Reliance Communications (RLCM.BO)
Ratings and Target Price History
Fundamental Research

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010



	Date	Rating	Target Price	Closing Price
1	30-Apr-09	3H	*190.00	214.95
2	28-May-09	3H	*270.00	297.35
3	2-Aug-09	*2M	*310.00	275.65
4	8-Oct-09	*3M	*210.00	246.30

	Date	Rating	Target Price	Closing Price
5	12-Dec-09	3M	*160.00	183.65
6	8-Jul-10	3M	*165.00	187.95
7	22-Nov-10	3M	*155.00	149.30
8	16-Mar-11	*1H	*127.00	102.95

	Date	Rating	Target Price	Closing Price
9	16-Aug-11	1H	*117.00	77.40
10	7-Oct-11	Stock rating system changed		

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

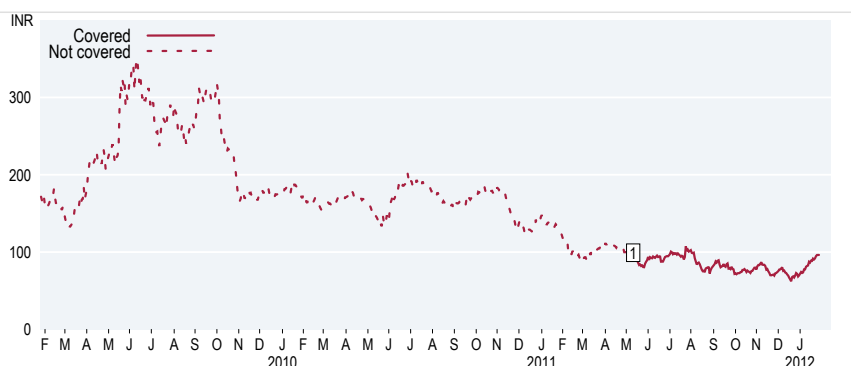
**Reliance Communications
(RLCM.BO)**

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Gaurav Malhotra, CFA
Covered since June 18 2010



	Date	Rating	Target Price	Closing Price
1	11-May-11	*ADD LP	-	91.55

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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	45%	41%	40%	49%	43%	41%

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