

Subscriber growth remains strong



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Subscriber growth remains strong in July '06

GSM subscriber additions in July '06 totaled ~3.9mn, doubling YoY and up 23% MoM. All major operators performed well, but the MoM acceleration was mostly led by BSNL. As of July '06, India's GSM subscriber base stood at 82.4mn, up 76% YoY. July data from CDMA operators is awaited.

Bharti remains rock solid

In July '06, Bharti added ~1.3mn subs, up 4% MoM and ~140% YoY. As of Jul '06, the company's wireless subscriber base totaled ~24mn. Note that Bharti's monthly subscriber additions have consistently stayed above the 1mn mark through CY2006.

BSNL recovers, but lacks consistency

BSNL added ~0.7mn subscribers in July '06 versus its monthly net addition rate of ~0.4mn through Apr-Jun '06. Just two circles – U.P. (east) and Maharashtra – were the key drivers of BSNL's improvement in July. Our conversation with BSNL did not yield any material insights on this. Regarding their mega-GSM expansion, BSNL told us that technical evaluation of bids is complete and financial bids will now be evaluated. We expect the mega expansion to be ordered by end-2006.

Broad-based improvement for most other operators

In July, most other operators posted higher MoM net adds on the back of broad-based improvements across their major markets. In July, Hutch added 0.9mn subs (+10% MoM), Idea added 0.6mn subs (+23% MoM), and Reliance's GSM operations added 0.2mn subs (+24% MoM).

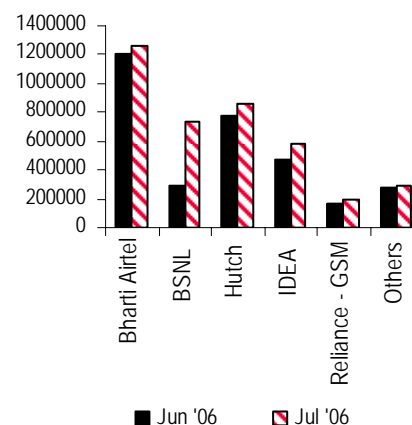
BPL-Mumbai and MTNL slip

In July, BPL Mumbai, the subject of litigation between Hutchison and its local partner Essar, posted subscriber losses for the second time in CY06. MTNL's net adds also slipped (-6% MoM) likely owing to capacity constraints in Delhi.

Murmurs on 3G pricing

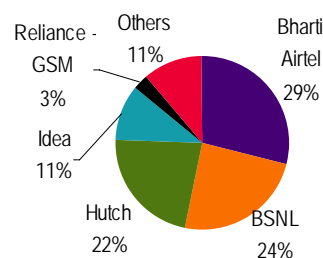
Meanwhile, on the policy front, there are some murmurs with regard to pricing of 3G spectrum. Media reports suggest that there will likely be a one-time entry fee for 3G licenses, in addition to an ongoing revenue-sharing mechanism. The entry-fee may be pre-specified across various categories of circles (for example a standard Rs2.5bn for any metro circle, and ~Rs500mn for any Cat-C circle).

Chart 1: MoM trend in GSM net adds



Source: COAI

Chart 2: Operator share of GSM sub base



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