Industry

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India Wireless

Equity ☑

TRAI 1Q revenue data: Incumbents Now in the Driver's Seat

- **Market traffic/operational momentum maintained** — TRAI data reveals that overall wireless revenues grew 3% sequentially on the back of an equally strong 5% growth in 4Q, after remaining flat in the previous 3 quarters. This suggests that healthy traffic growth witnessed by incumbents (10-13%) has also been supported by elasticity/seasonality within the context of traffic reverting to the incumbents (the primary-SIMs). Aircel's revenue growth was the highest at 9% (low base) while other GSM incumbents followed at 5-7%. Tata Tele's rev however surprisingly fell 3% qoq while BSNL's fall was even higher at 13%, likely driven by network capacity issues.

- **Incumbents reverse revenue share losses** — Bharti's overall rev share improvement was the highest at 100bps qoq with Vodafone/Idea at 40bps. Incumbents increased/held-on to their rev share in their core circles – Idea improved in Maharashtra/MP by 140-220bps, Bharti by 100-150bps in Mumbai/Delhi despite heavy presence of Multi-SIM (160-170% SIM penetration), Vodafone saw improvement in UP(E)/Gujarat (70-150bps) while Aircel improved in TN (160bps).

- **Vodafone executing better than Idea in new circles** — Vodafone continues to do a shade better than Idea in Bihar (simultaneously launched circle). It also did well in the other new circles with revenue share in MP/Orissa up 90bps qoq. Idea however had a lackluster performance in its new circles with qoq rev share -10/+50bps across TN/Bihar/Orissa though it gained 70bps in the Mumbai circle

- **New entrants getting marginalized = tariff cuts?** — Tate Tele's rev share fell 60bps with losses across bulk of DoCoMo's circles (40-130bps with Mumbai at -370bps). Meanwhile Uninor too hasn't gained much traction. While tailwinds are clearly behind incumbents and operational momentum builds, it needs to be weighed against risks from underutilized networks and regulatory headwinds.

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Figure 1. Revenue share trend

	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
BSNL	11.3%	11.0%	11.6%	10.2%	10.2%	9.7%	9.1%	7.7%
Idea	10.7%	11.4%	11.7%	12.2%	12.1%	12.7%	12.5%	12.9%
Vodafone	19.0%	19.9%	20.3%	20.8%	20.4%	20.8%	21.0%	21.4%
Bharti	32.6%	33.1%	32.8%	33.9%	33.3%	32.4%	31.5%	32.5%
Aircel	3.1%	3.1%	3.3%	3.4%	3.6%	4.0%	4.4%	4.7%
Tata Tele	8.3%	8.1%	7.9%	7.1%	7.4%	7.4%	8.7%	8.1%
RCOM	13.9%	12.6%	11.5%	11.6%	12.0%	12.2%	11.5%	11.2%
Sistema	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: TRAI

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

TRAI's revenue data: Incumbents benefitting from elasticity and not just traffic migration

Overall industry revenues grew 3% in 1Q after an equally strong 5% growth in the previous quarter versus flat revenues in the first half of FY10. This suggests that the tariff cuts initiated by the industry has helped generate usage elasticity especially as operators increasingly focus on the still under-penetrated rural areas

Figure 2. Gross revenues and growth

Gross revenues (Rs m)	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
BSNL	28,814	31,521	26,810	26,934	25,601	25,311	22,157
Idea	29,880	31,834	32,018	31,864	33,631	34,778	37,082
Vodafone	52,220	55,008	54,705	53,809	55,216	58,379	61,332
Bharti	86,871	88,960	89,128	87,654	85,798	87,428	93,196
Aircel	8,213	8,946	8,975	9,556	10,555	12,262	13,323
Tata Tele	21,188	21,359	18,680	19,601	19,589	24,009	23,241
RCOM	32,984	31,323	30,491	31,634	32,179	31,919	32,184
Shyam	259	306	374	296	283	821	1,091
Others	2,170	2,129	2,042	1,947	1,989	1,918	1,984
Total	**262,599**	**271,386**	**263,221**	**263,292**	**264,840**	**277,406**	**286,348**
QoQ growth	**3QFY09**	**4QFY09**	**1QFY10**	**2QFY10**	**3QFY10**	**4QFY10**	**1QFY11**
BSNL	3.6%	9.4%	-14.9%	0.5%	-4.9%	-1.1%	-12.5%
Idea	13.3%	6.5%	0.6%	-0.5%	5.5%	3.4%	6.6%
Vodafone	12.0%	5.3%	-0.6%	-1.6%	2.6%	5.7%	5.1%
Bharti	8.5%	2.4%	0.2%	-1.7%	-2.1%	1.9%	6.6%
Aircel	7.2%	8.9%	0.3%	6.5%	10.5%	16.2%	8.7%
Tata Tele	4.4%	0.8%	-12.5%	4.9%	-0.1%	22.6%	-3.2%
RCOM	-3.5%	-5.0%	-2.7%	3.7%	1.7%	-0.8%	0.8%
Shyam	4.1%	18.3%	21.9%	-20.9%	-4.3%	190.3%	32.8%
Others	0.2%	-1.9%	-4.1%	-4.6%	2.1%	-3.5%	3.4%
Total	**7.0%**	**3.3%**	**-3.0%**	**0.0%**	**0.6%**	**4.7%**	**3.2%**

Source: TRAI

Bharti has a favorable 11% revenue share differential while Vodafone is at 4% and Idea at 2%. Tata Tele and BSNL have borne brunt of the traffic migration possibly from capacity/coverage issues

Figure 3. Revenue share and subscriber share trends (1QFY11)

	Revenue mkt share	Sub market share	Differential
BSNL	7.7%	11.0%	-3.3%
Idea	12.9%	11.0%	2.0%
Vodafone	21.4%	17.4%	4.0%
Bharti	32.5%	21.8%	10.8%
Aircel	4.7%	6.6%	-2.0%
Tata Tele	8.1%	10.8%	-2.7%
RCOM	11.2%	17.7%	-6.4%
Shyam	0.4%	0.8%	-0.4%

Source: TRAI, COAI, AUSPI

Incumbents have managed to reverse the revenue share loss witnessed in the first half of FY10. Revenue market share has been maintained/improved across most of their key circles

Figure 4. Revenue share trend across key circles for incumbents

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Idea - Maharashtra	27.6%	28.7%	28.3%	28.6%	28.5%	29.9%
Idea - MP	27.4%	28.6%	29.4%	27.8%	29.1%	31.2%
Vodafone - Gujarat	39.5%	40.7%	39.5%	40.3%	39.5%	41.0%
Vodafone - UP(E)	32.0%	32.1%	30.9%	30.5%	30.6%	31.3%
Bharti - Karnataka	53.3%	54.0%	52.7%	51.5%	49.9%	50.5%
Bharti - Delhi	37.3%	38.6%	37.7%	38.1%	36.5%	37.4%

Source: TRAI

The business momentum gained by DoCoMo on the back of per-sec billing and heavy advertising has more-or-less waned in this quarter. Apart from the tariffs, security clearance issue surrounding the equipment would have also hurt especially on coverage expansion

Figure 5. Revenue share losses across most of the original DoCoMo circles

	2QFY10	3QFY10	4QFY10	1QFY11
AP	1.4%	-1.3%	4.6%	-1.1%
Karnataka	1.6%	1.2%	1.8%	0.3%
Orissa	1.7%	1.9%	0.3%	0.2%
TN	0.7%	0.4%	1.1%	-0.3%
Kerala	1.6%	1.2%	1.8%	0.3%
Mumbai	0.7%	0.2%	-0.2%	-3.7%
Maharashtra	0.7%	0.9%	-0.1%	-1.3%

Source: TRAI

Vodafone has done relatively better than Idea in the new circles though Idea has been surprisingly strong in Mumbai (160% penetration)

Figure 6. Idea and Vodafone – Revenue share in new circles

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Idea					
Bihar	4.7%	5.8%	7.4%	7.5%	8.0%
Orissa	0.8%	1.9%	2.2%	2.4%	2.5%
TN	0.0%	0.4%	0.9%	0.9%	0.9%
Mumbai	3.9%	4.4%	4.9%	5.2%	5.9%
Vodafone					
Bihar	4.0%	5.2%	6.8%	7.6%	8.6%
MP	2.6%	1.7%	2.8%	3.7%	4.6%
Orissa	4.1%	4.7%	5.8%	7.2%	8.1%

Source: TRAI

Figure 7. Revenue share and qoq trend

	BSNL		Idea		Vodafone		Bharti		Aircel		Tata Tele		RCOM	
	Mkt share	QoQ trend	Mkt share	QoQ trend	Mkt share	QoQ trend	Mkt share	QoQ trend	Mkt share	QoQ trend	Mkt share	QoQ trend	Mkt share	QoQ trend
AP	8.5%	0.6%	16.3%	0.2%	11.4%	-0.4%	40.4%	0.8%	1.2%	0.1%	12.8%	-1.1%	8.9%	-0.3%
Assam	11.5%	0.5%	1.0%	0.4%	8.2%	0.6%	33.8%	-0.6%	25.1%	-1.1%	1.9%	0.3%	18.6%	0.0%
Bihar	6.6%	-0.2%	8.0%	0.5%	8.6%	0.9%	46.8%	0.5%	5.3%	0.0%	8.0%	-0.4%	15.7%	-1.6%
Kolkata	5.1%	-0.7%	NA	NA	31.3%	0.3%	29.1%	0.5%	4.7%	0.1%	10.8%	0.1%	17.7%	-0.3%
Gujarat	4.7%	-2.9%	17.8%	-0.2%	41.0%	1.5%	20.9%	0.6%	NA	NA	5.7%	0.8%	9.9%	0.2%
Haryana	14.4%	0.0%	19.9%	-0.5%	25.9%	1.4%	17.8%	-0.1%	0.0%	0.0%	12.7%	-0.1%	9.0%	-0.7%
HP	15.0%	-3.7%	7.4%	0.4%	6.1%	1.5%	43.2%	0.5%	6.5%	1.2%	4.0%	0.6%	16.0%	-1.1%
J&K	16.8%	-29.6%	0.0%	0.0%	5.2%	2.6%	39.7%	16.8%	29.5%	7.8%	4.2%	2.1%	4.6%	0.5%
Ktaka.	6.1%	-1.3%	6.6%	0.2%	14.5%	-0.1%	50.5%	0.6%	1.0%	0.2%	11.4%	0.3%	9.1%	-0.2%
Kerala	14.3%	0.7%	29.4%	0.4%	21.7%	-0.4%	19.1%	1.0%	1.9%	0.1%	5.8%	-0.3%	7.1%	-1.7%
MP	5.9%	-4.1%	31.2%	2.2%	4.6%	0.9%	30.7%	2.1%	NA	NA	7.1%	-1.0%	20.4%	-0.1%
Mah.	6.3%	-2.1%	29.9%	1.4%	21.5%	1.2%	20.8%	0.2%	0.8%	0.2%	10.3%	-1.3%	10.4%	0.3%
NE	16.6%	0.1%	NA	NA	8.4%	1.3%	36.5%	-1.6%	28.4%	-2.7%	1.8%	0.2%	8.2%	2.7%
Orissa	14.7%	-3.3%	2.5%	0.1%	8.1%	0.9%	39.3%	2.2%	8.8%	0.6%	9.7%	0.2%	16.0%	-1.1%
Punjab	10.8%	-0.4%	18.9%	1.0%	17.0%	-0.2%	37.2%	-0.6%	NA	NA	7.0%	0.1%	6.3%	0.0%
Rajsthan.	8.4%	-1.0%	7.6%	0.3%	22.7%	-0.2%	46.1%	1.9%	NA	NA	4.6%	-1.0%	8.2%	-0.2%
TN	6.2%	-2.1%	0.9%	-0.1%	21.1%	0.5%	34.0%	0.6%	23.9%	1.6%	5.9%	-0.3%	7.3%	-0.4%
UP (E)	12.6%	-0.3%	10.3%	0.1%	31.3%	0.7%	29.2%	0.1%	1.0%	0.0%	4.0%	-0.2%	10.5%	-1.1%
UP (W)	8.1%	-0.1%	27.8%	0.1%	24.2%	0.1%	18.5%	0.1%	1.6%	0.2%	7.5%	0.0%	11.5%	-0.8%
WB	7.9%	-0.9%	NA	NA	37.7%	0.8%	29.6%	0.6%	6.6%	-0.2%	4.3%	0.1%	11.8%	-0.8%
Delhi	3.6%	0.3%	9.7%	-0.2%	23.9%	-0.7%	37.4%	0.9%	2.0%	0.2%	9.9%	-0.4%	13.1%	-0.2%
Mumbai	3.2%	-0.8%	5.9%	0.7%	33.4%	0.3%	20.2%	1.5%	1.7%	0.2%	10.8%	-3.7%	16.3%	1.2%

Source: TRAI

Figure 8. Revenue and subscriber share differential (1QFY11)

	BSNL	Idea	Vodafone	Bharti	Aircel	Tata Tele	RCOM
AP	-0.9%	2.4%	-1.7%	11.6%	-1.0%	-2.6%	-6.6%
Assam	-0.3%	0.0%	-1.3%	6.0%	-3.5%	0.1%	-1.0%
Bihar	-4.9%	-0.2%	-0.5%	16.8%	-3.8%	-1.4%	-3.0%
Kolkata	-6.2%		9.4%	11.9%	-3.2%	-2.7%	-4.5%
Gujarat	-4.4%	1.1%	7.2%	3.5%		0.4%	-7.8%
Haryana	-3.3%	4.4%	4.6%	6.9%		-4.2%	-8.3%
HP	-9.4%	2.1%	2.5%	17.0%	-3.7%	0.9%	-7.1%
J&K	-0.2%	-1.4%	1.1%	3.9%	-4.7%	2.1%	-0.9%
Karnataka	-3.6%	-0.5%	0.4%	16.1%	-1.2%	-2.5%	-7.1%
Kerala	-0.9%	6.5%	3.8%	5.9%	-3.5%	-2.9%	-7.4%
MP	-4.6%	7.8%	-1.5%	9.2%		-4.4%	-6.5%
Maharashtra	-4.2%	7.8%	4.4%	5.4%	-0.2%	-6.4%	-6.9%
NE	-1.7%		-1.5%	8.3%	-4.6%	1.8%	-1.6%
Orissa	-0.5%	-1.4%	0.4%	11.9%	-2.8%	-2.7%	-1.5%
Punjab	-7.2%	2.2%	1.2%	13.1%		-3.8%	-7.4%
Rajasthan	-4.3%	0.5%	0.3%	15.1%		-2.7%	-7.6%
TN	-3.9%	-1.0%	4.1%	14.5%	-4.8%	-1.0%	-5.6%
UP (E)	-4.9%	1.9%	8.4%	8.5%	-1.1%	-2.3%	-9.2%
UP (W)	-2.5%	8.7%	3.3%	5.0%	-1.0%	-3.2%	-9.0%
WB	-0.9%		8.7%	6.8%	-2.3%	-2.4%	-7.0%
Delhi	-6.3%	0.5%	5.8%	16.8%	-2.2%	-6.5%	-7.4%
Mumbai	-2.9%	0.3%	14.8%	9.2%	-1.7%	-4.1%	-5.2%

Source: TRAI, COAI, AUSPI

Appendix A-1

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