

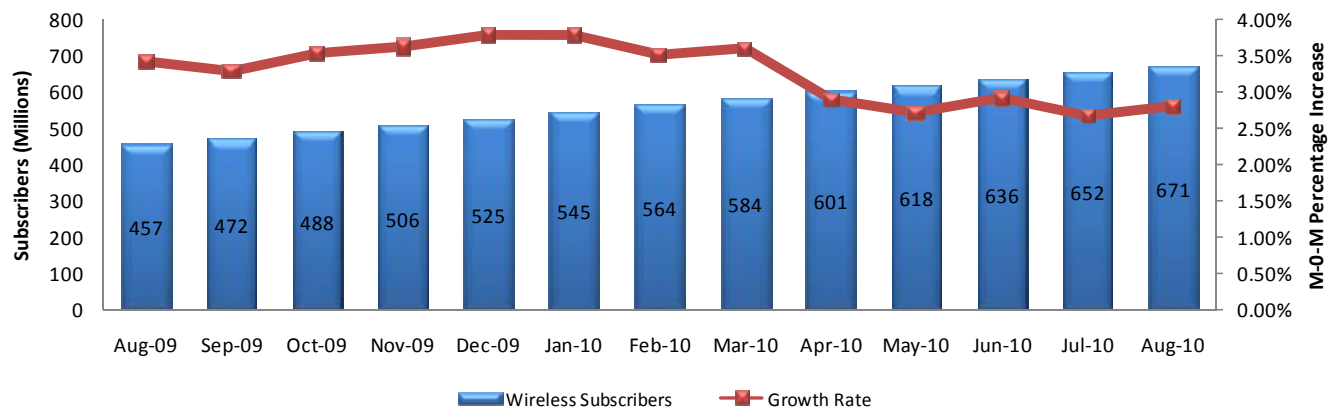
## Telecommunications Monthly Update – August 2010

Indian Telecommunication Industry achieved another milestone when the overall subscriber base crossed the 700 mn mark in August 2010. This was driven by an addition of 17.99 mn subscribers during the month representing a growth of 2.79%. During the last one year, India had seen its telecom subscriber base increase by over 212 mn, the highest growth in the world witnessed over the past couple of years.

	August 2010	July 2010
<b>Wireless Subscriber Base (mn)</b>	670.61	652.42
<b>Wireline Subscriber Base (mn)</b>	35.76	35.96
<b>Total Subscriber Base (mn)</b>	<b>706.37</b>	<b>688.38</b>

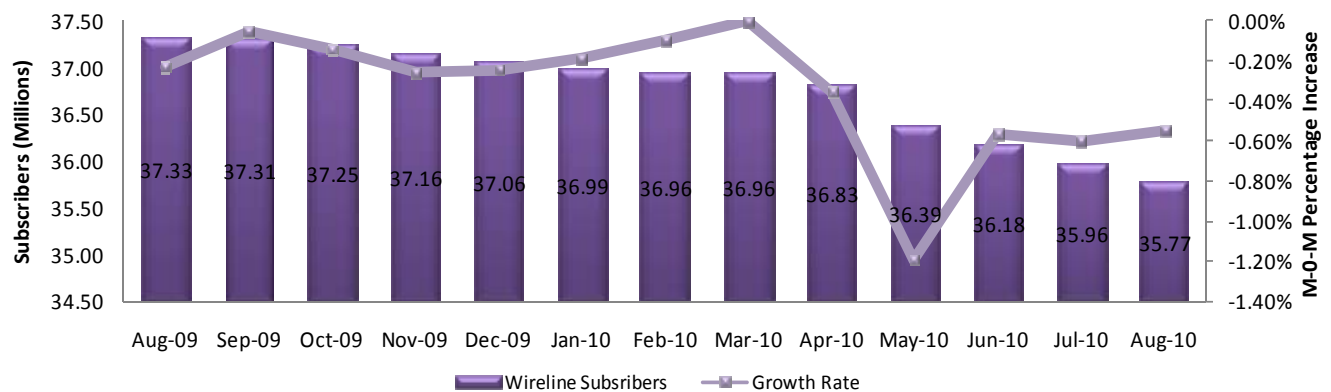
- The number of telecom subscribers in India increased to 706.37 mn at the end of August -2010 from 688.38 mn in July-2010.
- The overall Tele-density of India increased from 58.17% to 59.63% over last one month.

### All India Wireless Subscriber Base



- As against July 2010 which saw the addition of 16.92 mn wireless subscribers, 18.18 mn wireless subscribers were added during August 2010, taking the total wireless subscriber base to 670.61 mn
- Wireless Tele-density now stands at 56.61%.

### All India Wireline Subscriber Base



- Wireline segment saw a reduction in its subscriber base by 0.20 mn during August-2010, reducing the overall wireline subscriber base to 35.77 mn
- The wireline tele-density reduced to 3.02% in August-2010 from 3.04% in July-2010

### All India Subscriber Base (Includes Wireless and Wireline)

Market Players	August 2010 Subscribers (000's)	Net Additions (000's)	M-o-M Growth	Y-o-Y Growth	Market Share	Share of net addition
<b>Bharti Airtel</b>	144,448	2,050	1.4%	30.3%	20.4%	11.4%
<b>Reliance Communications</b>	116,526	2,014	1.8%	36.7%	16.5%	11.2%
<b>Vodafone Essar</b>	113,774	2,309	2.1%	40.7%	16.1%	12.8%
<b>BSNL</b>	102,490	2,026	2.0%	19.4%	14.5%	11.3%
<b>Tata Teleservices</b>	78,167	2,101	2.8%	78.6%	11.1%	11.7%
<b>Idea Cellular</b>	72,736	1,987	2.8%	45.3%	10.3%	11.0%
<b>Aircel</b>	44,907	1,610	3.7%	83.9%	6.4%	9.0%
<b>Uninor</b>	9,094	2,220	32.3%	-	1.3%	12.3%
<b>MTNL</b>	8,757	26	0.3%	7.0%	1.2%	0.1%
<b>Sistema Shyam Teleservices</b>	6,147	528	9.4%	233.5%	0.9%	2.9%
<b>Videocon</b>	3,665	888	32.0%	-	0.52%	4.93%
<b>Loop Telecom</b>	2,968	21	0.7%	22.8%	0.4%	0.1%
<b>Stel</b>	1,519	96	6.78%	-	0.2%	0.54%
<b>HFCL Infotel</b>	1,129	98	9.5%	107.2%	0.16%	0.54%
<b>Etisalat</b>	44	13.69	45.6%	-	0.0%	0.08%
<b>All India Subscribers</b>	706,371	17,988	2.6%	43.0%	100.0%	100.0%

- In spite of a declining trend in subscriber market share, Bharti Airtel maintains its market leadership position. During August, 2010, it added 2.05 mn subscribers taking its total base to 144.45 mn subscribers with a market share of 20.4%
- Reliance Communications had a reduced share in subscriber addition at 2.01 mn during the month while Vodafone Essar added the maximum number of subscribers at 2.31 mn during August 2010.
- Tata Teleservices added 2.10 mn subscribers during August-2010 while Idea Cellular had a 2.8% m-o-m growth rate
- Aircel had 44.91 million subscribers in August-2010 achieving a strong growth rate of 3.7% m-o-m. Aircel also increased its presence by launching operations in Gujarat, Punjab and Rajasthan Circles.
- BSNL increased its subscriber base by 2.03 mn during the month which was the highest addition for the company over the past five months.
- Uninor added 2.22 mn subscribers during the month, being the player with second highest subscriber addition.
- Videocon Telecommunications had 3.67 mn subscribers at the end of August-2010 and it launched operations in Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Maharashtra, Orissa, Rajasthan & West Bengal
- Sistema Shyam Teleservices added 0.53 mn subscribers during the month, taking the total base to 6.15 mn subscribers
- Loop Telecom is expanding its network coverage by the launch of operation in Haryana, Kolkata, Madhya Pradesh, Orissa, Punjab and Rajasthan
- Category A and B circles continue to dominate subscriber additions, adding 13.66 mn subscribers (over 75% of industry net additions) while Circle C areas had the highest growth rate in subscriber additions

### Operator wise Wireless Subscriber Base (millions)

	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09	Oct-09	Sep-09	Aug-09
<b>Bharti Airtel</b>	141.3	139.2	136.6	133.6	130.6	127.6	124.6	121.7	118.9	116.0	113.2	110.5	108.0
<b>Reliance Communications</b>	115.3	113.3	110.8	108.0	105.2	102.4	99.4	96.6	93.8	91.0	88.2	86.1	84.1
<b>Vodafone Essar</b>	113.8	111.5	109.1	106.3	103.8	100.9	97.2	94.1	91.4	88.6	85.8	82.8	80.9
<b>Tata Teleservices</b>	76.9	74.9	72.5	70.2	67.9	65.9	63.2	60.3	57.3	54.0	50.7	46.8	42.8
<b>BSNL</b>	76.0	73.8	72.7	71.7	70.6	69.5	66.8	65.1	62.9	60.8	59.4	58.8	57.3
<b>Idea Cellular</b>	72.7	70.7	68.9	66.7	65.3	63.8	62.1	59.9	57.6	55.9	53.4	51.5	50.1
<b>Aircel</b>	44.9	43.3	41.7	40.1	38.5	36.9	34.9	33.0	31.0	29.4	27.7	25.7	24.4
<b>Others</b>	29.6	25.7	23.2	20.9	19.4	17.3	15.8	14.2	12.3	10.4	9.9	9.5	9.2
<b>Total</b>	670.6	652.4	635.5	617.5	601.2	584.3	564.0	545.0	525.1	506.0	488.4	471.7	456.7

- Market Leader Bharti Airtel clocked a growth rate of over 30.8% y-o-y while Aircel had a relatively stronger m-o-m growth at 3.7%
- Tata Teleservices and Aircel gained market share at the cost of incumbent operators who had a marginal decline in their market share on a m-o-m basis

### Operator Wise Wireless Net Additions (millions)

	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09	Oct-09	Sep-09	Aug-09
<b>Bharti Airtel</b>	2.0	2.6	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.8	2.7	2.5	2.8
<b>Reliance Communications</b>	2.0	2.5	2.8	2.8	2.7	3.0	2.8	2.8	2.8	2.8	2.1	2.0	2.1
<b>Vodafone Essar</b>	2.3	2.4	2.7	2.6	2.9	3.6	3.1	2.7	2.8	2.8	3.0	2.0	2.2
<b>BSNL</b>	2.3	1.1	1.0	1.1	1.2	2.7	1.6	2.2	2.1	1.3	0.7	1.5	1.3
<b>Idea Cellular</b>	2.0	1.9	2.2	1.4	1.5	1.7	2.3	2.3	1.7	2.6	1.9	1.4	1.5
<b>Tata Teleservices</b>	2.1	2.3	2.3	2.3	1.9	2.8	2.8	3.0	3.3	3.3	3.9	4.0	3.4
<b>Aircel</b>	1.6	1.6	1.6	1.6	1.6	2.0	1.8	2.0	1.7	1.6	2.0	1.3	1.3
<b>Others</b>	3.9	2.5	2.3	1.5	2.1	1.5	1.7	1.9	1.9	0.5	0.4	0.3	0.3
<b>Total</b>	18.2	16.9	18.0	16.3	16.9	20.3	19.0	19.8	19.1	17.6	16.7	15.0	15.1

- Vodafone Essar and BSNL had the highest number of subscriber additions during the month.
- Bharti Airtel and Reliance Communications had a reduced share in subscriber additions for the second month
- Uninor added 2.22 mn subscriber during the month driven by its various launches in past few months

## Valuation Ratios

Parameters	Bharti Airtel	Idea Cellular	Reliance Comm.
Earnings per Share(TTM)	21.59	2.68	15.84
Price (CMP)	351.35	70.65	180.40
Price/Earnings (x)	16.28	26.39	11.39
Price/Book value (x)	3.07	2.01	0.96
Enterprise Value (EV) (Cr.)	186,034	32,968	65,716
EV/Sales (x)	4.26	2.51	3.17
EV/EBITDA (x)	11.05	9.60	9.92
EV/Subscriber (x)	12879	4533	5640

(Valuation Ratios calculated using the trailing last four quarter figures)

The allocation of 3G spectrum to the various players had paved the way for the launch of 3G services in the near term. Incumbents like Bharti Airtel, Reliance Communication and Vodafone Essar intend to launch their 3G services in the next 3-4 months. Other winners must be able to commence their 3G offerings by the end of this fiscal year. The debt raised by these companies to pay off the prices of 3G spectrum as well the planned incremental capital expenditure for sprucing up the existing networks for the launch of 3G services is expected to put pressures on the margins in the near term. However, various telecom players must be able to augment their stagnant voice revenues as and when they start offering the lucrative data services and improve margins considering that 3G services will have better margins.

Bharti Airtel seems to be well positioned to encash this opportunity as it has already got the experience of offering 3G services in some of its African operations and has also tied up with various vendors to make its existing network infrastructure 3G compliant.

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