

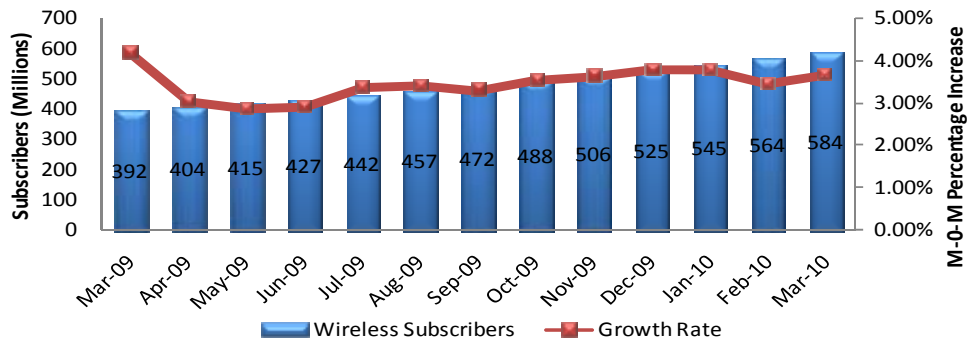
Telecommunications Monthly Update – March 2010

Indian Telecommunication Industry achieved another landmark feat wherein over twenty million subscribers were added during the month for the first time ever. The major chunk of this addition was from the wireless segment while the wireline segment saw a slight decline in its subscriber numbers.

	March 2010	February 2010
Wireless Subscriber Base (mn)	584.32	564.02
Wireline Subscriber Base (mn)	36.96	36.96
Total Subscriber Base (mn)	621.28	600.98

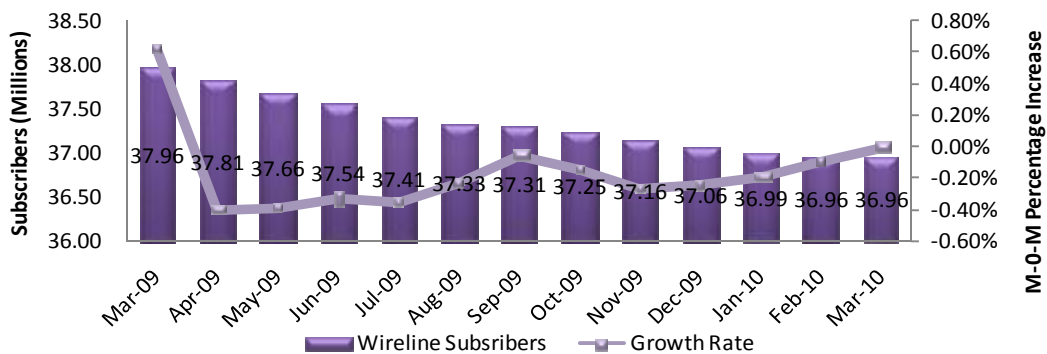
- The number of telecom subscribers in India increased to 621.28 mn at the end of March -2010 from 600.98 mn in February-2010.
- The overall Tele-density of India increased from 51.05% to 52.74% over last one month.

All India Wireless Subscriber Base



- Wireless subscribers increased by 20.31 mn in Mar-2010 to reach 584.32 mn, recording a growth of 3.6% m-o-m.
- Wireless Tele-density now stands at 49.60%.

All India Wireline Subscriber Base



- The subscriber base in wireline segment declined marginally (by 973 customers). However, decline in subscribers was negligible as compared to the decline we have seen in last few months.

All India Subscriber Base (Includes Wireless and Wireline)

Market Players	March 2010 Subscribers (000's)	Net Additions (000's)	M-o-M Growth	Y-o-Y Growth	Market Share	Share of net addition
Bharti Airtel	130,686	3,026	2.4%	35.2%	21.0%	14.9%
Reliance Communications	103,600	3,013	3.0%	4.1%	16.7%	14.8%
Vodafone Essar	100,858	3,628	3.7%	5.3%	16.2%	17.9%
BSNL	97,281	2,623	2.8%	19.4%	15.7%	12.9%
Tata Teleservices	67,105	2,812	4.4%	7.8%	10.8%	13.8%
Idea Cellular	63,825	1,681	2.7%	3.9%	10.3%	8.3%
Aircel	36,861	2,000	5.7%	10.8%	5.9%	9.9%
MTNL	8,591	110	1.3%	1.4%	1.4%	0.5%
Uninor	4,264	709	19.9%	-	0.7%	3.5%
Sistema Shyam Teleservices	3,825	310	8.8%	42.5%	0.6%	1.5%
Loop Telecom	2,845	68	2.5%	3.2%	0.5%	0.3%
Stel	1,007	290	40.4%	-	0.2%	1.4%
HFCL Infotel	502	2.35	0.47%	0.4%	0.1%	0.01%
Videocon	32	32	-	-	0.01%	0.16%
Etisalat	0.35	0.35	-	-	0.0%	0.00%
All India Subscribers	621,280	20,304	3.4%	44.6%	100.0%	100.0%

- Bharti Airtel maintains its market leadership position with 130.69 mn subscribers while adding 3.03 mn subscribers in March-2010. Though its market share continues to decline over last few months.
- Reliance Communications which had crossed the 100 million mark in total subscriber base during Feb-2010, had a distinction of having over 100 million subscribers even in Wireless Segment during the month ended March 2010.
- Vodafone Essar crossed the 100 million mark in total subscriber base and also had the highest share in subscriber additions during the month. Vodafone Essar's market share has increased over last two months and is inching closer to Reliance Communications.
- Aircel had 36.86 million subscribers in March-2010 achieving a growth rate of 5.74% m-o-m
- Two new private operators, Videocon Telecommunications and Etisalat DB launched their wireless services during the month
- Category A and B circles continue to dominate subscriber additions, adding 15.43 mn subscribers (over 76% of industry net additions)

Operator wise Wireless Subscriber Base (millions)

	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09
Bharti Airtel	127.6	124.6	121.7	118.9	116.0	113.2	110.5	108.0	105.2	102.4	99.5	96.7	93.9
Reliance Communications	102.4	99.4	96.6	93.8	91.0	88.2	86.1	84.1	82.0	79.6	77.2	74.8	72.7
Vodafone Essar	100.9	97.2	94.1	91.4	88.6	85.8	82.8	80.9	78.7	76.4	74.1	71.5	68.8
BSNL	69.5	66.8	65.1	62.9	60.8	59.4	58.8	57.3	56.0	54.4	53.6	53.2	52.1
Idea Cellular	63.8	62.1	59.9	57.6	55.9	53.4	51.5	50.1	48.5	47.1	45.5	44.2	43.0
Tata Teleservices	65.9	63.2	60.3	57.3	54.0	50.7	46.8	42.8	39.4	37.1	36.5	35.7	35.1
Aircel	36.9	34.9	33.0	31.0	29.4	27.7	25.7	24.4	23.1	21.8	20.7	19.6	18.5
Others	17.3	15.8	14.2	12.3	10.4	9.9	9.5	9.2	8.8	8.5	8.1	7.9	7.6
Total	584.3	564.0	545.0	525.1	506.0	488.4	471.7	456.7	441.7	427.3	415.2	403.7	391.8

- Market Leader Bharti Airtel clocked a growth rate of over 35.9% y-o-y while Vodafone Essar had a y-o-y growth rate of over 46%.
- Aircel had m-o-m growth rate of 5.74% while it achieved a growth of 99.5% y-o-y.

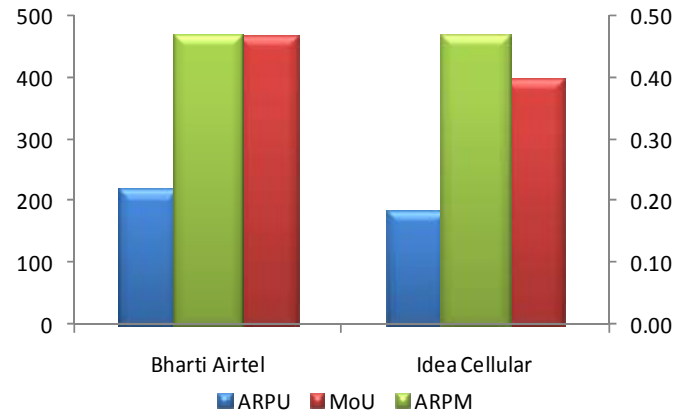
Operator Wise Wireless Net Additions (millions)

	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09
Bharti Airtel	3.0	2.9	2.9	2.9	2.8	2.7	2.5	2.8	2.8	2.8	2.8	2.8	2.8
Reliance Communications	3.0	2.8	2.8	2.8	2.8	2.1	2.0	2.1	2.4	2.4	2.4	2.2	3.0
Vodafone Essar	3.6	3.1	2.7	2.8	2.8	3.0	2.0	2.2	2.2	2.4	2.5	2.8	2.8
BSNL	2.7	1.6	2.2	2.1	1.3	0.7	1.5	1.3	1.6	0.8	0.4	1.0	2.9
Idea Cellular	1.7	2.3	2.3	1.7	2.6	1.9	1.4	1.5	1.4	1.6	1.3	1.2	1.5
Tata Teleservices	2.8	2.8	3.0	3.3	3.3	3.9	4.0	3.4	2.3	0.6	0.8	0.6	1.3
Aircel	2.0	1.8	2.0	1.7	1.6	2.0	1.3	1.3	1.3	1.1	1.1	1.1	1.4
Others	1.5	1.7	1.9	1.9	0.5	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Total	20.3	19.0	19.8	19.1	17.6	16.7	15.0	15.1	14.4	12.0	11.6	11.9	16.0

- Vodafone Essar added the highest number of subscribers at 3.63 mn while Bharti Airtel came in second with 3.03 mn subscriber additions.
- Reliance Communication added 3.02 mn subscribers during the month.
- After leading the subscriber additions for past six months, Tata Teleservices added 2.8 million subscribers in March-10.
- There was an increase in the percentage share of new additions for BSNL and Aircel.

Quarterly Results Overview

	Bharti Airtel	Idea Cellular
Subscribers (mn)	130.69	63.82
Q-o-Q	2.37%	2.71%
Y-o-Y	35.22%	3.91%
Revenue (Crs.)	10739.41	3347.80
Q-o-Q	4.22%	6.30%
Y-o-Y	4.72%	14.01%
EBITDA (Crs.)	4073.61	923.56
Margin	37.93%	27.59%
PAT Margin (Adj.)	20.29%	6.41%
PAT Growth		
Q-o-Q	-4.40%	26.19%
Y-o-Y	3.98%	-21.73%



Both Bharti Airtel and Idea Cellular witnessed a moderate growth in revenues in Q4 FY10 as the benefit of robust subscriber addition was partially offset by decline in tariff rates. Due to the decline in tariff rate, Bharti Airtel's EBITDA margin declined 132 bps QoQ in Q4 FY10 which caused the adjusted net margin to decline by 182 bps QoQ to 20.29%. We have adjusted Bharti Airtel's net income by one time expenditure of Rs.98 Crs which was related to M&A activities. Idea Cellular saw an improvement in profitability as it achieved cost efficiency in the newly launched circles. Its EBITDA margin improved 174 bps QoQ while its adjusted PAT margins improved by 101 bps QoQ to 6.41% after adjusting for one time gain of Rs.52 Crs due to consolidation of Spice.

As new subscribers added are low usage customers, it has resulted in decline in Average Revenue Per User (ARPU) for both the company's in Q4 FY10. While the competitive pressures has resulted in reduction in Average Realized Rate Per Minute (ARPM), it has been partially offset by increase in the Minutes of Usage (MoU) witnessed during the quarter for both the operators.

Valuation Ratios

Parameters	Bharti Airtel	Idea Cellular	Reliance Comm.
Earnings per Share(TTM)	24.13	3.03	23.93
Price (CMP)	297.5	63.45	160.15
Price/Earnings (x)	12.33	20.97	6.69
Price/Book value (x)	2.73	1.83	0.86
Enterprise Value (EV) (Cr.)	111696	26063	51926
EV/Sales (x)	2.67	2.09	2.32
EV/EBITDA (x)	6.74	7.65	6.65
EV/Subscriber (x)	8547	4084	5012

(Valuation Ratios calculated using the trailing last four quarter figures)
 (Financial figures for Bharti Airtel and Idea Cellular are for Q4 FY10 while that of Reliance Communications is for Q3 FY 10)

The stability in tariffs witnessed over the past few months has put a stop to the further deterioration of the performances of the incumbents. However the cost of debt to be raised by the private players for their bid of 3G spectrum will put pressure on margins in the near term. The cost of auction of 3G spectrum has reached to over 200% of the base price and it will be some time before the operators can recover this cost as they would be able to start 3G services only towards the end of the year.

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