



Tele-Track

Issue 1 | June 2012

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Key Developments

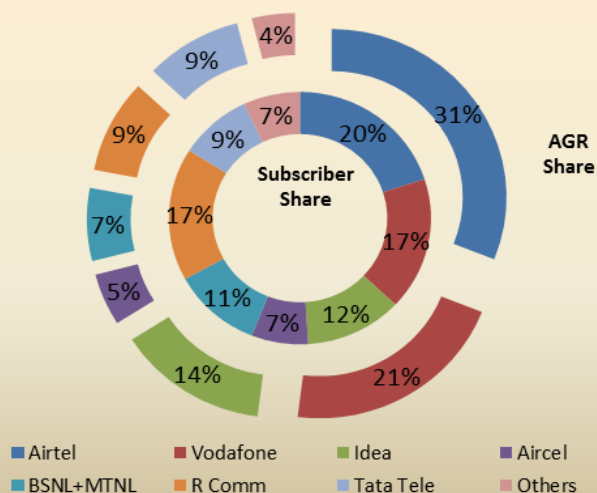
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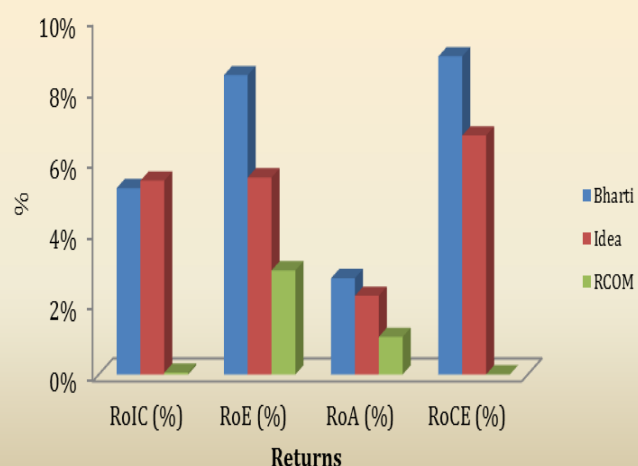
Sector Snapshot - June 2012

- The Union Cabinet approved the National Telecom Policy, 2012. While market conditions remain tough, the new policy is expected to bring regulatory clarity in the sector. The policy delinks the spectrum from licenses, liberalizes M&A norms and removes roaming charges. The policy also allows spectrum sharing and pooling.
- The operators reduced their 3G tariffs by 60-70% to increase the uptake of 3G services.
- The RPMs continue to be under-pressure while MoUs have grown by ~1-3%.

AGR and Subscriber Market Share



Key Financials - FY12



Valuation KPIs (as on year ending FY12)	Market Price (INR)	Market Cap (INR bn)	P/E (times)	EV (INR bn)
Bharti	337	1,279	30	1,929
Idea	99	327	45	438
RCOM	84	173	19	532
TTML	15	28	-5	72
	EV/EBITDA (times)	EV/Sales (times)	Net Debt/Equity (times)	Capex/Sales (times)
Bharti	8	2.7	1.3	0.19
Idea	9	2.2	0.9	0.24
RCOM	8	2.6	0.0	0.18
TTML	13	2.8	1.1	0.00
	RoIC (%)	RoE (%)	RoA (%)	RoCE (%)
Bharti	5%	8%	3%	9%
Idea	5%	6%	2%	7%
RCOM	0%	3%	1%	0%
TTML	na	46%	-8%	0%

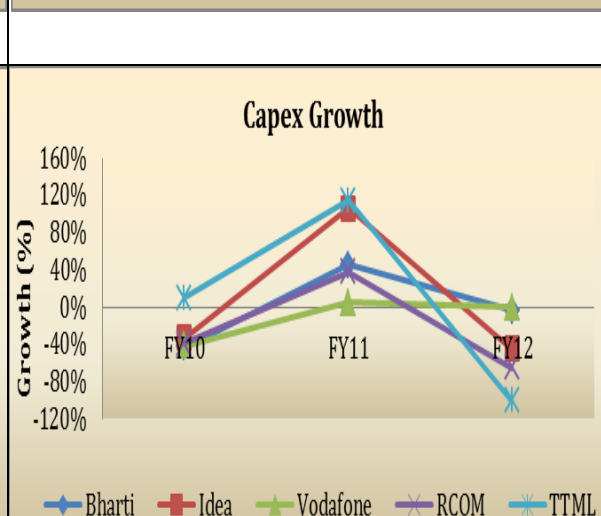
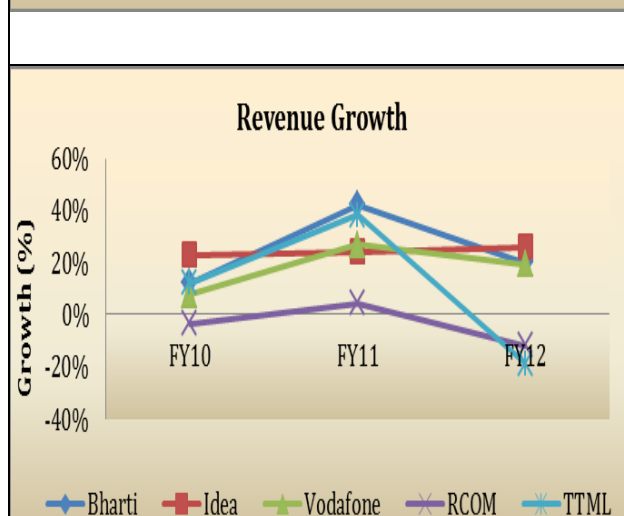
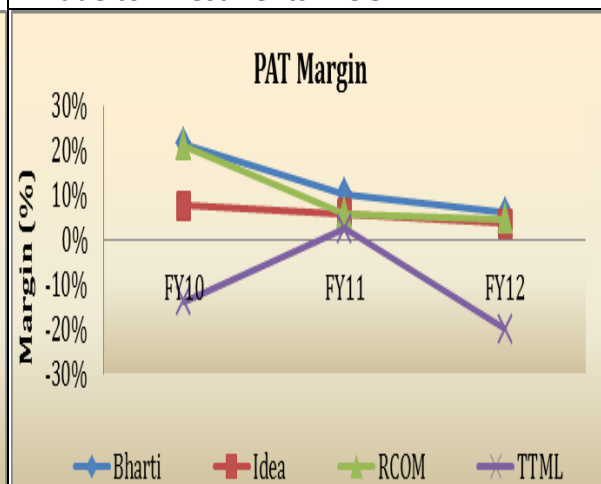
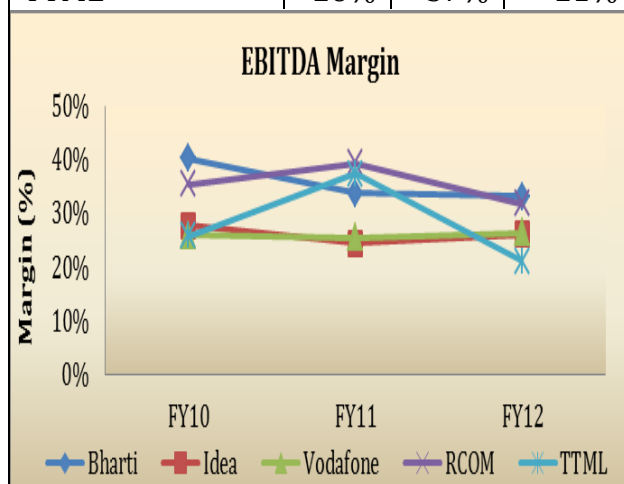
Source: Companies' Annual and Quarterly Reports, BSE

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Operator-wise Yearly Financial Performance - Growth and Margins

EBITDA Margin	FY10	FY11	FY12
Bharti	40%	34%	33%
Idea	28%	24%	26%
Vodafone	26%	26%	26%
RCOM	35%	39%	32%
TTML	26%	37%	21%

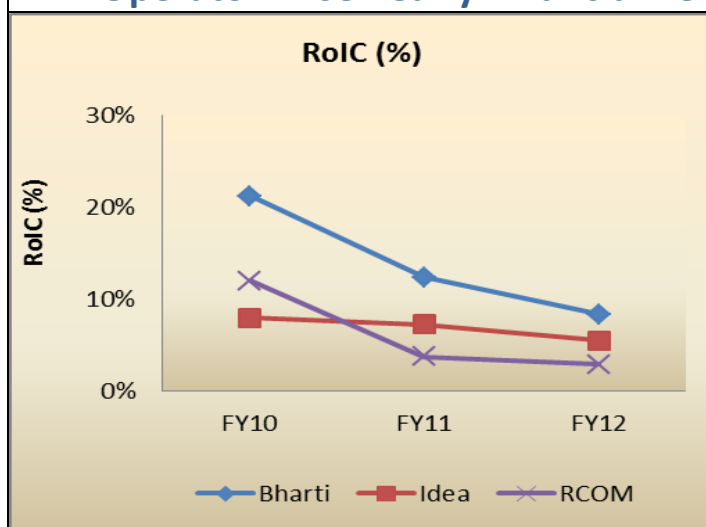
- Telecom operators continued to witness a slowdown in growth in FY12.
- Bharti's EBITDA margin declined over the last two years by 7% due to decline in RPM, stagnant data contribution and increased competition in the sector.
- Idea posted a higher EBITDA margin of 2% in FY12 as compared to FY11.
- Bharti witnessed a decline of 15% in PAT margin in FY12 over FY10 while Idea's PAT margin declined by 4% over the same period.
- Idea was the only operator to post an increase in revenue growth.
- The growth in capex of all the operators declined in FY12 after peaking in FY11 due to investments in 3G.



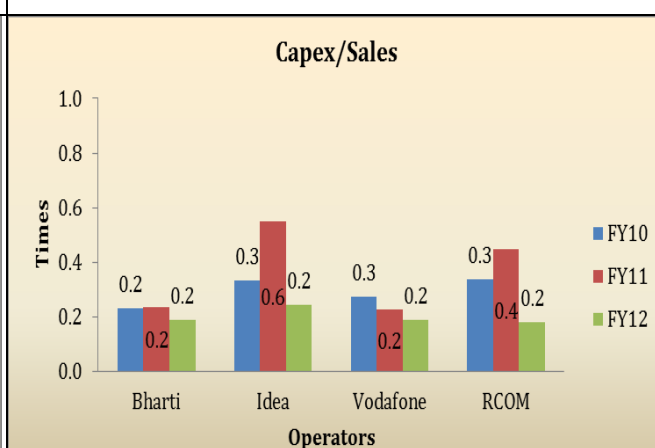
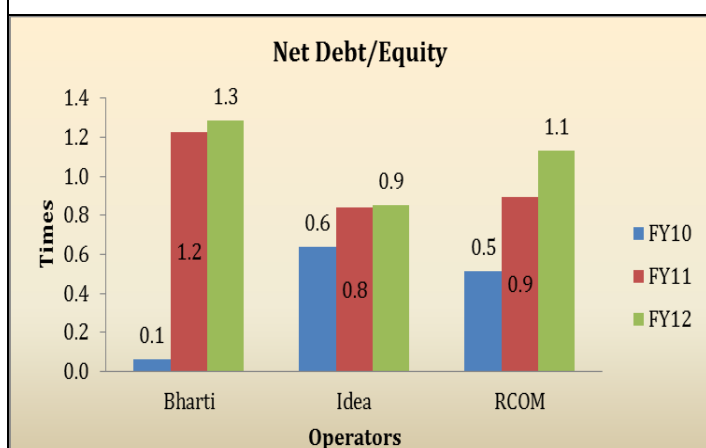
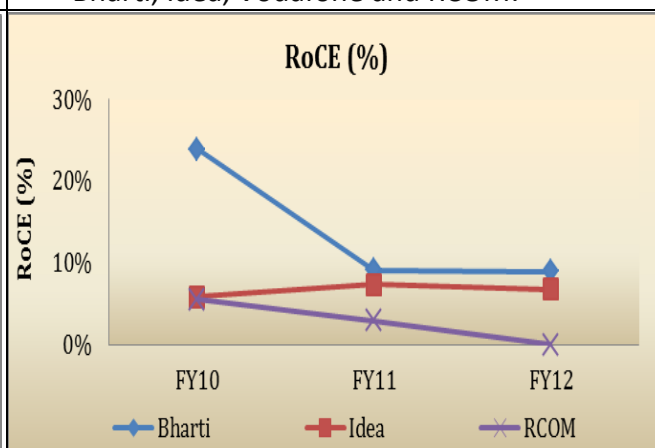
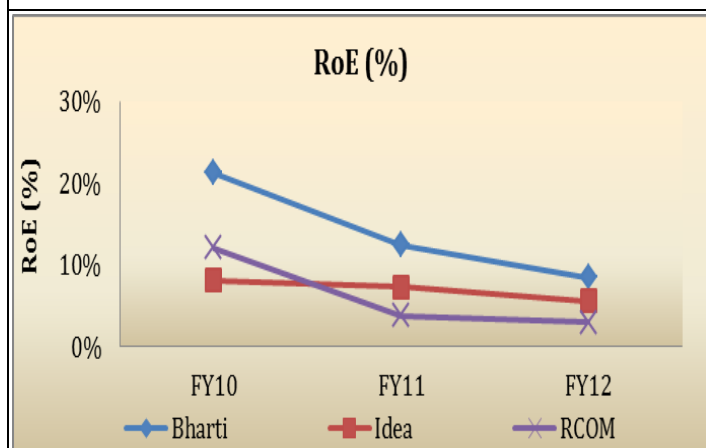
Source: Companies' Annual and Quarterly Reports

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Operator-wise Yearly Financial Performance - Return Ratios



- The return ratios have shown a decline due to rising cost of running the operations and higher interest rates.
- Bharti's RoIC declined by 10% in FY12 over FY10. The comparative decline for Idea and RCOM was 1% and 5%.
- RoE of all three operator - Bharti, Idea and RCOM decreased by 13%, 2% and 9%, respectively in FY12 as compared to FY10.
- Idea RoCE improved by 100 basis points in FY12 over FY10. Bharti's and RCOM's RoCE declined by 13% and 5%, respectively.
- Net debt/equity increased for all three operators in FY12 over FY10.
- Capex/sales ratio was about 0.2 times for Bharti, Idea, Vodafone and RCOM.



Source: Companies' Annual and Quarterly Reports

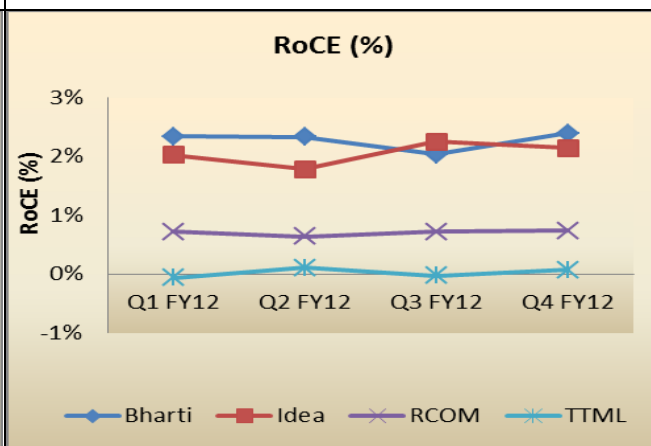
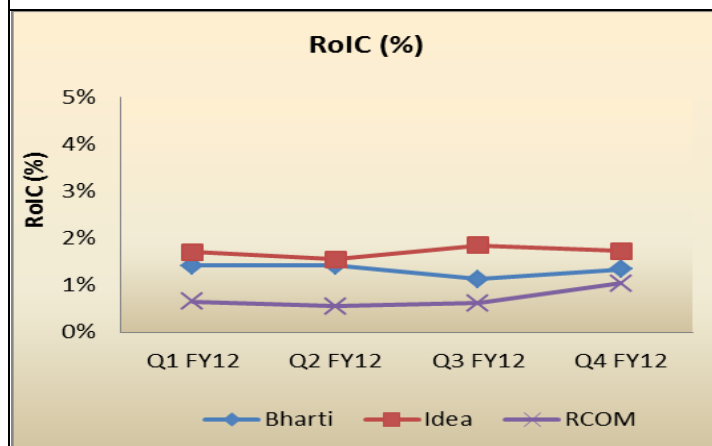
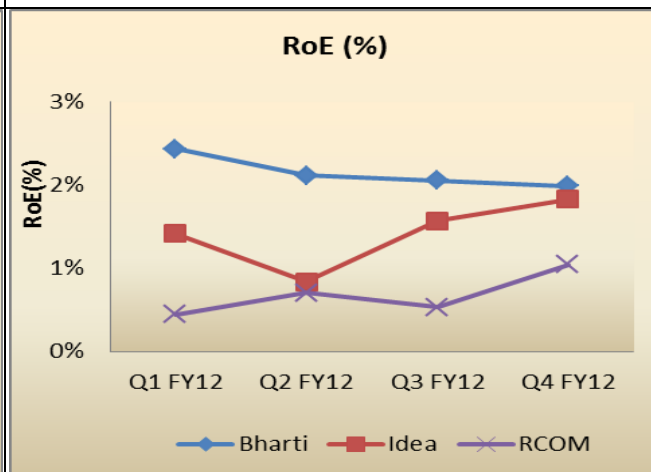
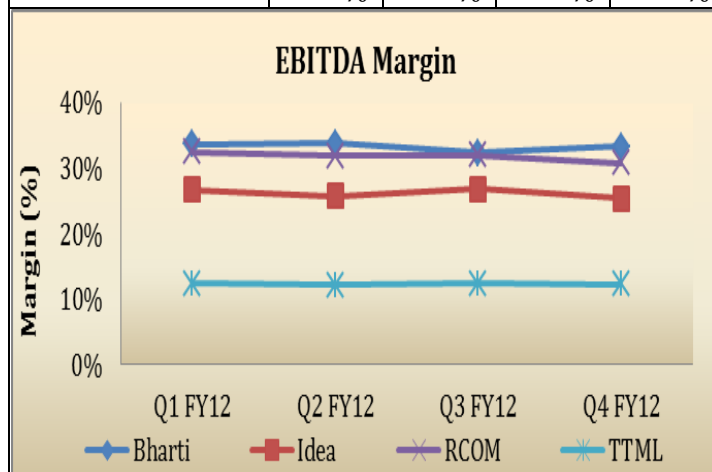
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Note: RoIC = Net Operating Profit Less Adjusted Tax (NOPLAT)/Total Capital; RoCE = Earnings before interest and tax but after depreciation (EBIT)/(Shareholders' equity + Net Debt); RoE = Net Profit/Shareholders' equity; Net Debt = Total Debt – Cash and cash equivalents

Operator-wise Quarterly Financial Performance

EBITDA margin	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12
Bharti	34%	34%	32%	33%
Idea	27%	26%	27%	25%
RCOM	32%	32%	32%	31%
TTML	12%	12%	12%	12%

- The operational performance remained steady; the return ratios improved due to increase in traffic and ARPUs in Q4 FY12 over the last quarter.
- Bharti's EBITDA margin improved in Q4 FY12 due to rebounding of India mobile traffic and improvement in Africa margin. Idea's EBITDA margin declined by ~2% due to one-off regulatory impact in the 'License and WPC fees'.
- Idea's and RCOM's RoE improved by 60 and 40 basis points, respectively while Bharti's RoE declined by 40 basis points in Q4 FY12 over Q1 FY12.
- Bharti's RoIC declined by 10 basis points in Q4 FY12 over Q1 FY12. Idea RoIC was stable at 1.7% while RCOM witnessed an increase of 30 basis points.
- Bharti's RoCE of 2.4% was the highest among all the operators in Q4FY12



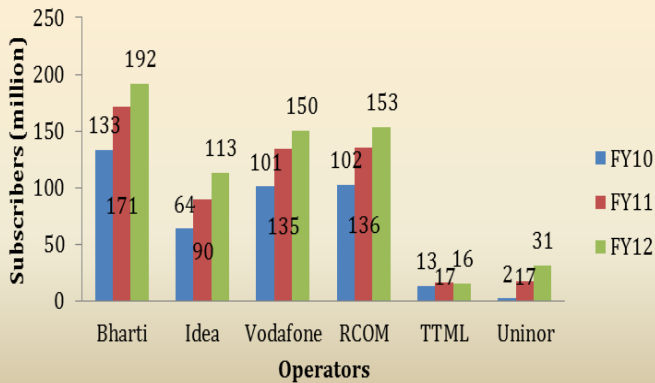
Source: Companies' Annual and Quarterly Reports

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Note: RoIC = Net Operating Profit Less Adjusted Tax (NOPLAT)/Total Capital; RoCE = Earnings before interest and tax but after depreciation (EBIT)/(Shareholders' equity + Net Debt); RoE = Net Profit/Shareholders' equity

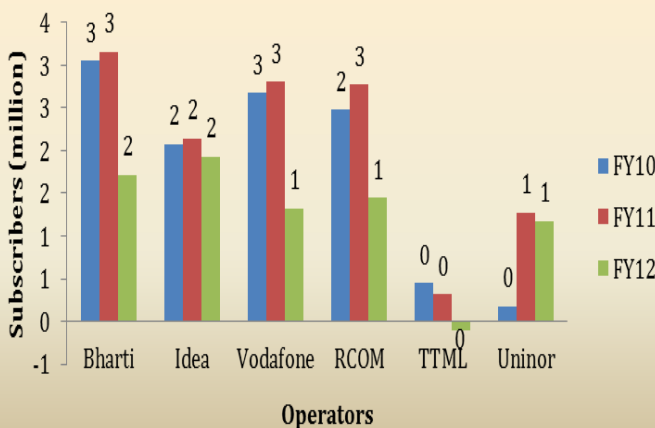
Operator-wise Yearly Operational Performance

Subscribers

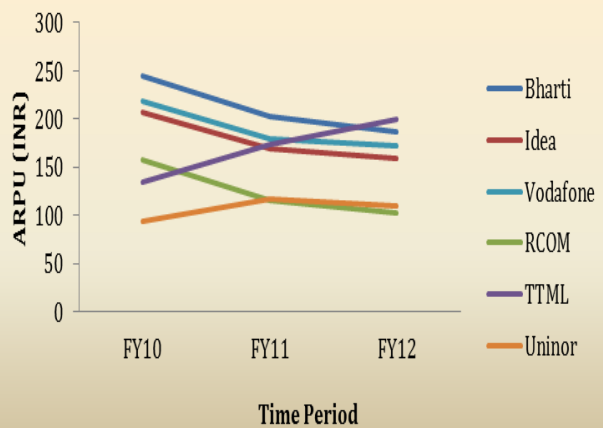


- Idea registered the highest subscribers' growth of 26% in FY12.
- Bharti emerged as leader in terms of the net additions in FY10 and FY11; however, Idea had the maximum net additions in FY12
- Except for TTML, ARPU of all other operators slumped in FY12 over FY11.
- The quarter saw an increase in mobile traffic of all the operators. Bharti's, Idea's and Vodafone's traffic increased by 12%, 25% and 21%, respectively FY12 over FY11
- However, RPM of the operators registered a decline in FY12.

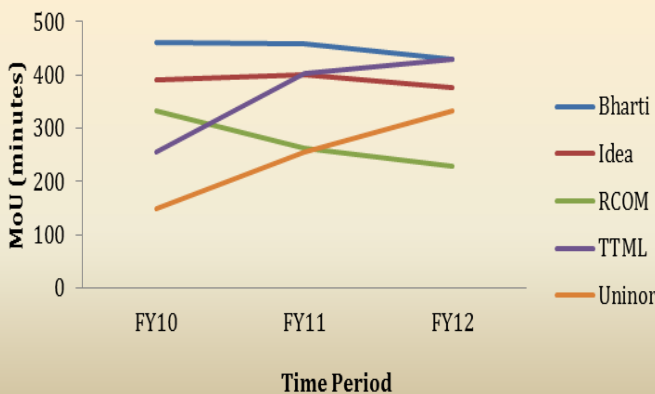
Net additions per month



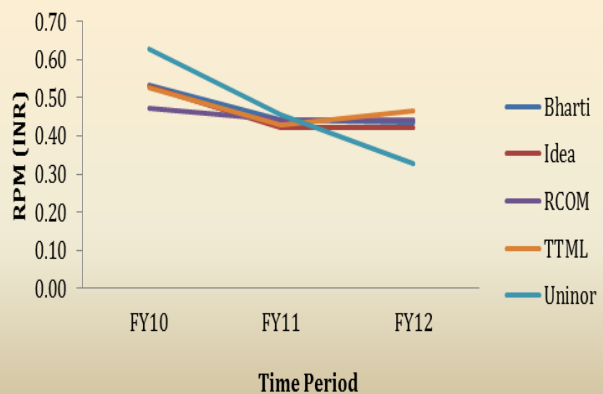
ARPU



MoU



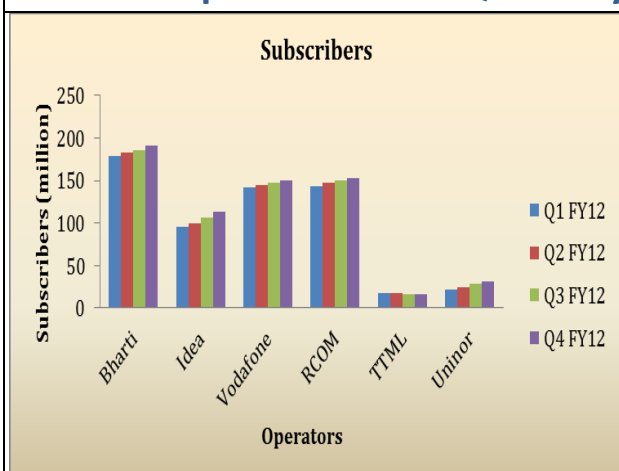
RPM



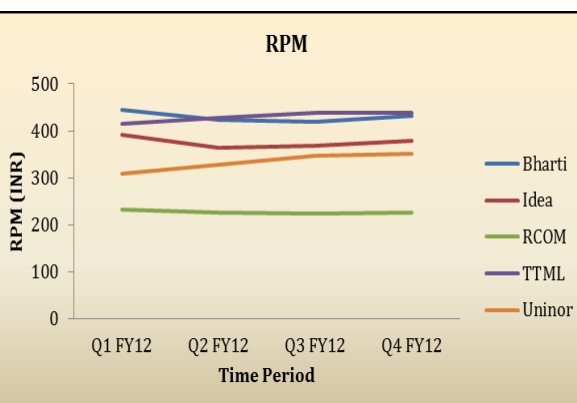
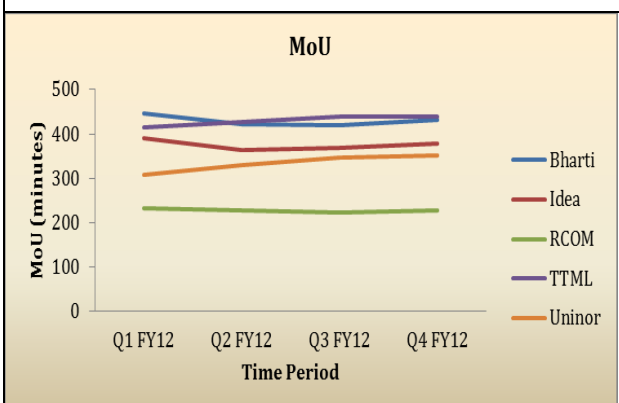
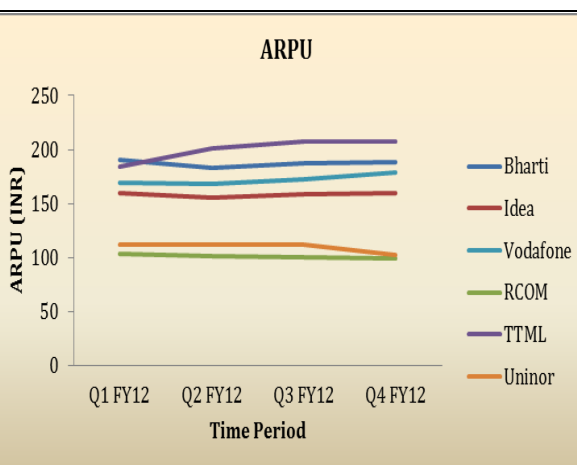
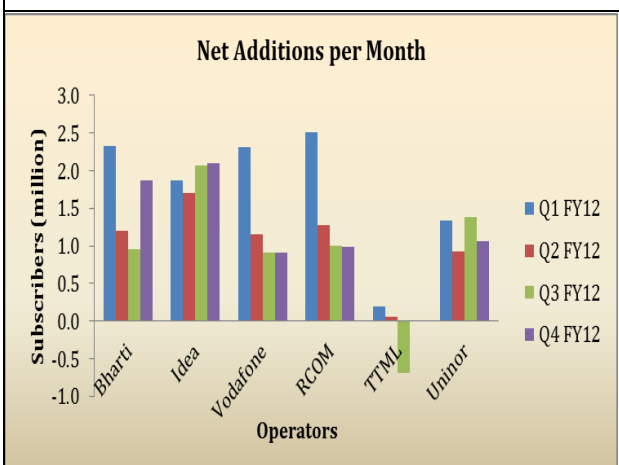
Source: Companies' Annual and Quarterly Reports

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Operator-wise Quarterly Operational Performance



- Idea had the maximum net additions in Q4 FY12.
- ARPU increased for Bharti, Vodafone and Idea, remained stable for TTML
- ARPU declined for RCOM and Uninor in Q4 FY12 as compared to Q3 FY12
- MoUs increased for all the operators in Q4 FY12 as compared to Q3 FY12.
- Bharti registered the highest quarterly growth in MoUs.
- The RPM for all the operators declined by INR 0.01 each in Q4 FY12 as compared to Q3 FY12

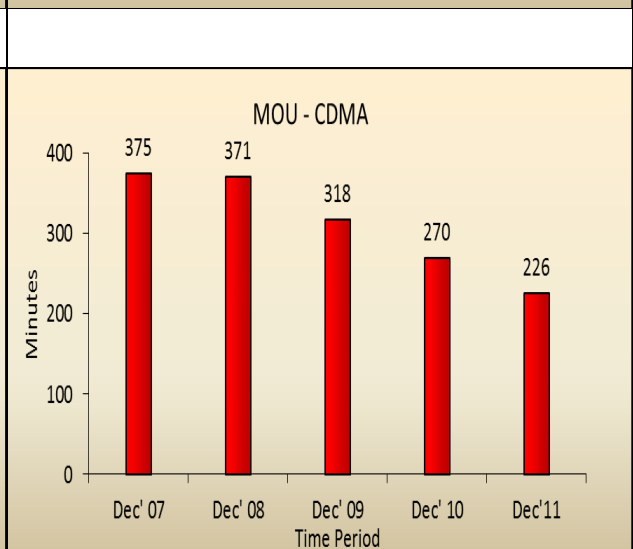
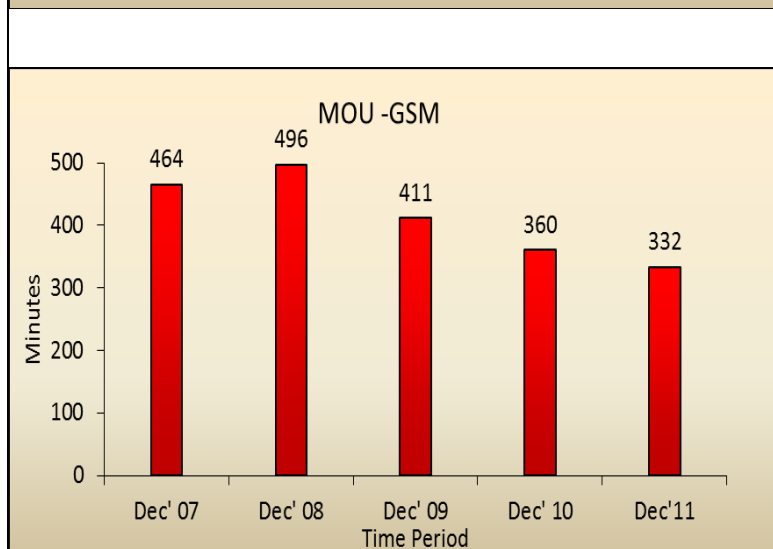
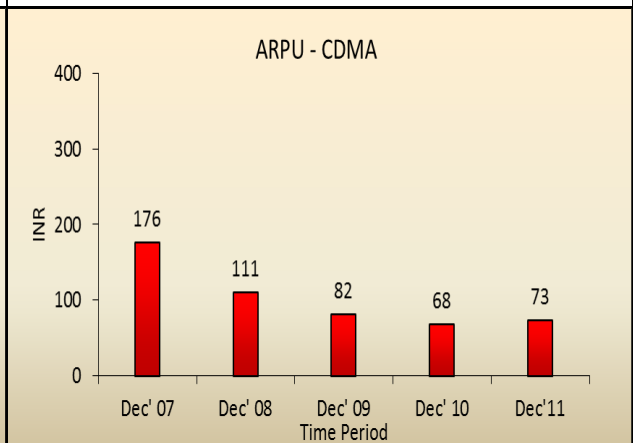
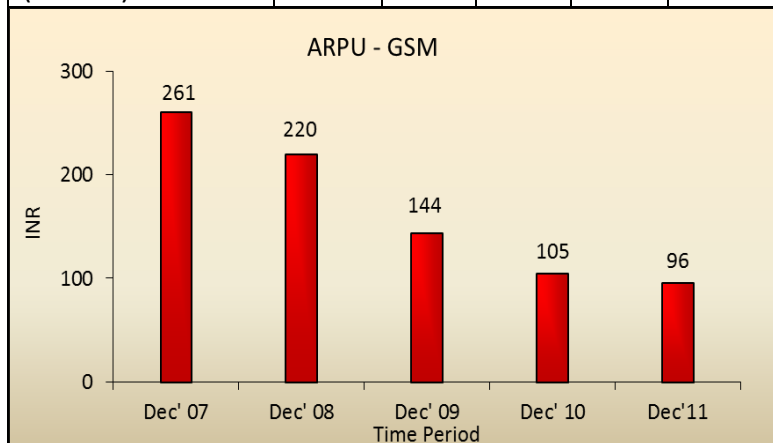
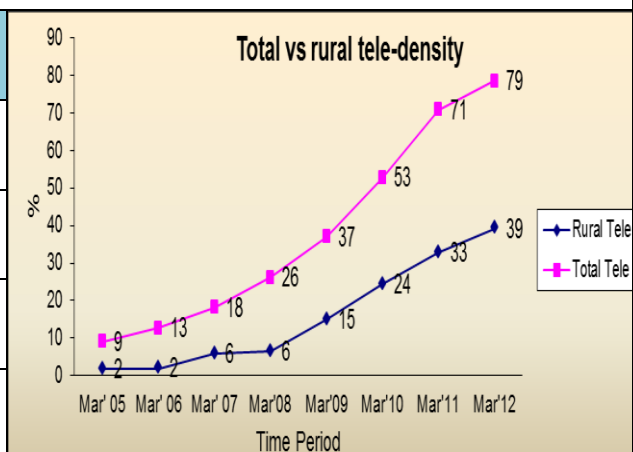


Source: Companies' Annual and Quarterly Reports

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Sector Performance

Industry Fast Facts	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12
Subscribers (million)	846	886	907	927	951
Penetration (%)	70.9	74.0	75.5	76.9	78.7
Wireless subs (%)	68.0	71.1	72.7	74.2	76.0
Wireline subs (%)	2.9	2.9	2.8	2.7	2.7
MNP Requests (million)	6.4	13.0	20.6	29.2	41.9

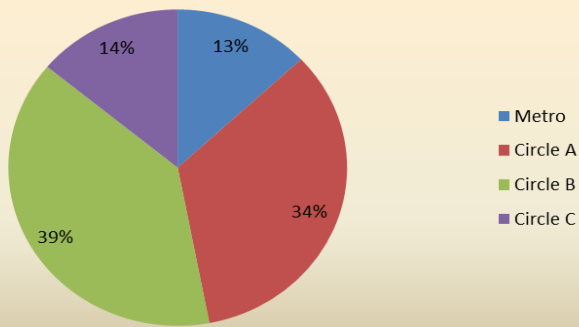


Source: TRAI

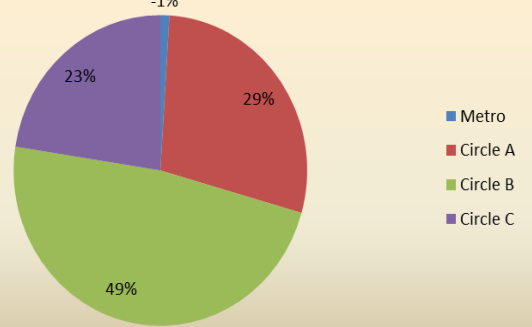
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Circle-wise Performance

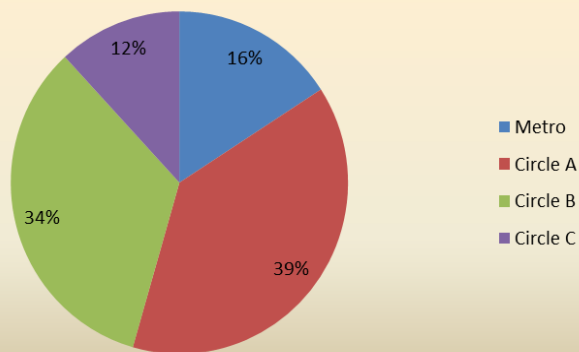
Subscriber Mix - FY12



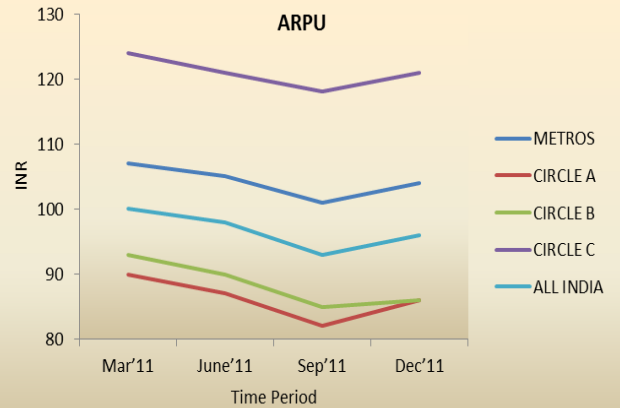
Net Adds Mix - FY12



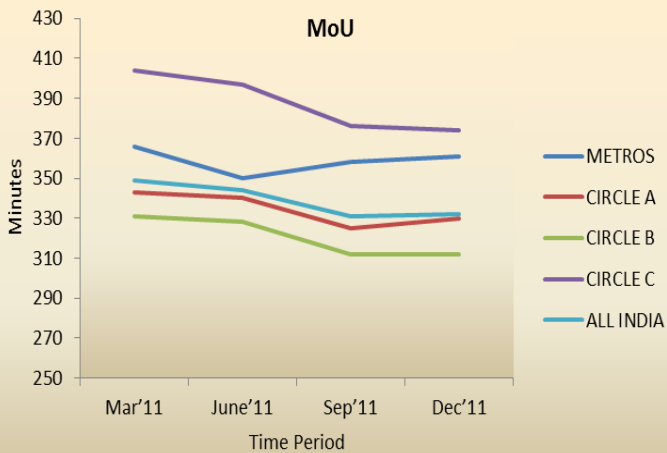
AGR Mix- Q3 FY12



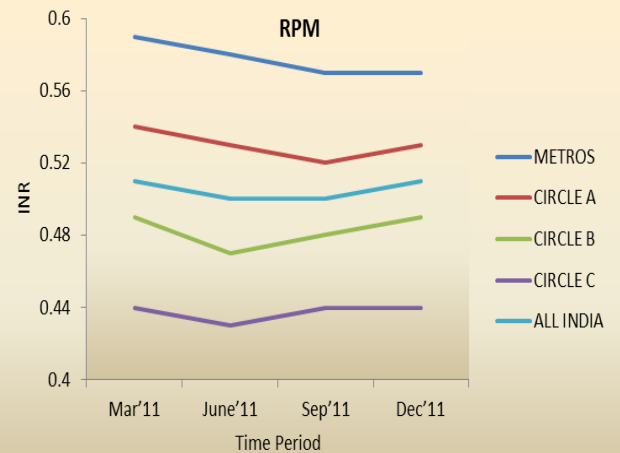
ARPU



MoU



RPM



Source TRAI

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Key Developments

India – News

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Regulatory developments

- The DoT has decided to charge 8% of adjusted gross revenue (AGR) as license fee from all telecom service providers across all categories and services from 2013-14. Starting July 1, 2012, DoT will impose a fee ranging from 7%-9% on operators depending on the circle while from April 1, 2013, the uniform fee of 8% will be charged. (Source: Economic Times)
- The Reserve Bank of India, TRAI and the Finance Ministry, have approved DoT's proposal to allow telecom companies to mortgage spectrum. This will help them to raise funds from banks for the forthcoming auctions. (Source: Economic Times)

Strategic initiatives

- Huawei plans to invest USD2 billion in India over next four years to aggressively market consumer devices and 4G long-term evolution (LTE) solutions while establishing a global research and network operations hub in the country. (Source: tele.net.in)
- Vodafone has announced an international roaming package offering 60% discount for Voice, Data and SMS through one single pack across 40 popular international destinations such as Australia, France, Italy, Singapore, Switzerland, UK and US. To subscribe to this new plan, users will have to pay a one-time rental of INR 1,499. Upon activation, the plan will be valid for a period of 30 days. Apart from the price saving, there are two more advantages of using this pack. Firstly, it is a single pack, which seeks to offer the best call, SMS & data rates. Secondly, with the help of this pack users do not need to search for the best country specific packs. This will appeal to those subscribers who plan to visit more than one country within a 30 day time frame. (Source: Telecom Tiger)

Others

- Bharti is losing revenue market share to Vodafone and Idea Cellular as per the data released by TRAI. The company registered a loss of 1.1% in its revenue in FY12. It is for the second consecutive year that the operator has registered a decline of 100 basis points in its revenues. (Source: Economic Times)
- Etisalat DB has been issued show cause notice by the DoT for closing down its operations in the country in violation of telecom licence agreement. As per the Supreme Court order, Etisalat's licences are valid till Sept 2012 and the company has not followed the proper process of closing down its operations. (Source: tele.net.in)

Zambia

- **Zambian telecom operator Airtel Zambia**, a subsidiary of Indian telecoms group Bharti, has signed up more than 220,000 mobile commerce services and e-commerce as well as access to more than 4,000 Airtel Money agents nationwide. (Source: BMI)

Bangladesh

- **GSM mobile operator Teletalk** is expected to launch Bangladesh's first W-CDMA/HSPA-based 3G networks in July 2012. (Source: tele.net.in)

Japan

- **NTT DOCOMO** will bid for wireless spectrum in the 700 MHz band for deploying 4G data services in Japan. (Source: tele.net.in)

Canada

- **Research in Motion Ltd. (RIM)** reported its first quarterly operating loss of \$518 million in more than seven years in the fiscal first quarter as the BlackBerry-maker faced a drop in device sales and announced a delay in the launch of its new BlackBerry 10 phone until next year. (Source: Dow Jones Newswire)

US

- **Google unveiled Nexus 7** - a new tablet computer, home-entertainment device based on Android mobile-software platform. (Source: Dow Jones Newswire)
- **Iridium** has formed JV, Aireon LLC, to monitor airlines using satellite. Aireon will enable fully global and continuous space-based monitoring and control of aircraft, even over oceans and remote regions where it is not currently possible. (Source: Telecom Engine)

Malaysia

- **Malaysia's telecom's regulator, the Malaysian Communications and Multimedia Commission (MCMC)**, is set to finalise the allocation of spectrum in the 2.6GHz band. The move will facilitate the shift to 4G wireless and LTE networks by the country's telecoms operators. The regulator will try to ensure that there is sufficient cooperation among service providers to launch the networks. MCMC will focus on infrastructure and not service provider consolidation. The three principal operators in the country are hoping to launch so-called 4G services, using LTE technology, by 2013. As many as six other LTE networks could also be launched, as nine LTE licences were issued in 2011. (Source: BMI)

France

- **Orange France** has revealed plans for the first large-scale roll-out of a SIM-based near-field communication (NFC) solution in Europe in collaboration with Gemalto. The technology will facilitate the introduction of secure mobile contactless payment services at banks and retailers or on transport networks through their mobile handsets. Gemalto's NFC solution is in line with Orange's strategy to secure and simplify the use of mobile contactless services. The possibilities of contactless technology, coupled with advances in smartphone design, will boost m-payment services in developing and developed markets. (Source: BMI)

UAE

- **The Telecommunications and Regulatory Authority (TRA)** has introduced a new scheme, dubbed My Number, My Identity, in the UAE. Under the scheme, mobile phone subscribers in the country are required to re-register their SIM cards in a move aimed at reducing fraudulent and criminal usage of handsets. The move will help the TRA keep a check on illegal activities carried out through mobile phones in the UAE. (Source: BMI)

Comparative Valuations

Price (INR)	FY10	FY11	FY12	June 30, 2012
Bharti	312	358	337	305
Idea	65	68	99	76
RCOM	171	108	84	63
TTML	24	17	15	14
* As on 31 March for FY				
Market Cap (INR billion)	FY10	FY11	FY12	June 30, 2012
Bharti	1,184	1,358	1,279	1,158
Idea	216	223	327	251
RCOM	352	222	173	131
TTML	45	32	28	27
* As on 31 March for FY				
Enterprise Value (INR billion)	FY10	FY11	FY12	June 30, 2012
Bharti	1,210	1,957	1,929	1,809
Idea	292	326	438	362
RCOM	551	543	532	489
TTML	82	77	72	70
* As on 31 March for FY				
EV/EBITDA (times)	FY10	FY11	FY12	June 30, 2012
Bharti	7.2	9.8	8.1	7.6
Idea	8.4	8.6	8.6	7.1
RCOM	7.0	6.0	8.2	7.5
TTML	13.8	6.4	13.1	12.9
* As on 31 March for FY				
EV/Sales (times)	FY10	FY11	FY12	June 30, 2012
Bharti	2.9	3.3	2.7	2.5
Idea	2.3	2.1	2.2	1.9
RCOM	2.5	2.3	2.6	2.4
TTML	3.6	2.4	2.8	2.7
* As on 31 March for FY				
Net Debt/EBITDA	FY10	FY11	FY12	
Bharti	0.2	3.0	2.7	
Idea	2.2	2.7	2.2	
RCOM	2.5	3.5	5.5	
TTML	6.3	3.7	8.0	
Capex/Sales	FY10	FY11	FY12	
Bharti	0.2	0.2	0.2	
Idea	0.3	0.6	0.2	
Vodafone	0.3	0.2	0.2	
RCOM	0.3	0.5	0.2	
TTML	0.4	0.6	0.0	
Uninor	75.0	2.4	0.2	

Source: Companies' Annual and Quarterly Reports, BSE, TRAI

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