



Current Scenario:

- ✓ Net wireless subscribers addition in June'10 at 17.98 mn, some rebound after dipping to ~16 mn last month
- ✗ Wireline segment declined 0.2 mn to 36.18 mn subscribers
- ✓ Telephone subscriber base reaches 671.69 mn, 2.7% MoM growth and 44.5% YoY growth
 - Wireless subscriber base reach 635.51 mn
 - Wireline subscribers decline to 36.18 mn
- ✓ Overall Tele-density reaches 56.83
 - Wireless tele-density at 53.77
 - Wireline tele-density at 3.06
- ⇔ Incumbent players losing market share to new players and players widening their reach into new circles
- ✗ Wireless GSM and CDMA ARPU on declining trend - 36.1% and 22.9% respectively in 12 months ended Mar-10.
 - GSM ARPU - Rs 131 in qtr ended Mar-10
 - CDMA ARPU - Rs 76 in qtr ended Mar-10
- ✗ Wireless MoU continues to decline but pace of decline moderates - GSM and CDMA MoU declined by 15.2% and 14.0% respectively over March 2009.
 - GSM MoU - 410 for qtr ended Mar-10
 - CDMA MoU - 307 for qtr ended Mar-10
- ⇔ As per media reports, BWA spectrum already been allotted to auction winners
- ✗ MNP implementation gets delayed further to October'10 end.

Outlook:

- ✗ Subscriber addition numbers remain healthy driven by multi-SIMs and addition of lower-end consumers; Wireless penetration level crossed 53% suggests higher churn rates going ahead as these customers seeking better-offer
- ✓ Subscriber addition remain healthy considering lower tariffs, better affordability, improvement in overall economy and rising disposable income.
- ⇔ MNP introduction likely to result into lower propensity to keep multi SIM cards to ride scheme benefits
- ✗ Category B and C circles driving growth where penetration levels remain lower relatively with lower ARPU potential usually
- ✓ Managements suggest stabilization in ARPU and MOU after period of declining trends, likely to get reflected in coming quarters
- ✗ Stiff competition, interest burden of 3G/BWA spectrum and tariff war coupled with rising network operating costs and subscriber acquisition costs would exert pressure on margins
- ✗ 3G/BWA spectrum payments and additional capex requirement for 3G/BWA rollout would strain balance-sheet further
- ✓ Valuation appears reasonable but lacks near term positive catalysts due to heightened competition; leveraged balance-sheet would limit stock performance. Stock prices likely to react positively on better operating performance as expectations already running low and company specific value unlocking move to fund 3G/BWA and de-leverage B/S



Service provider-wise Wireless Subscribers

Service Providers (in mn)	End Jun-10		M-o-M			Y-o-Y		
	Sub- Scribers	Market Share (%)	Net Addition	Incr. Mkt Share (%)	M-o-M Gwth (%)	Net Addition	Incr. Mkt Share (%)	Y-o-Y Gwth (%)
Aircel	41.7	6.6	1.6	8.9	4.0	19.9	9.5	91.2
Bharti	136.6	21.5	3.0	16.7	2.2	34.3	16.4	33.5
Loop	2.9	0.5	0.0	0.1	0.5	0.6	0.3	26.9
BSNL	72.7	11.4	1.0	5.6	1.4	18.3	8.8	33.7
Etisalat	0.0	0.0	0.0	0.0	79.8	0.0	0.0	-
HFCL	0.7	0.1	0.1	0.8	28.3	0.3	0.1	74.0
Idea	68.9	10.8	2.2	12.0	3.2	21.8	10.5	46.3
MTNL	5.2	0.8	0.0	0.2	0.8	0.6	0.3	13.1
Reliance	110.8	17.4	2.8	15.8	2.6	31.2	15.0	39.2
Sistema	5.1	0.8	0.5	2.6	10.1	3.9	1.9	329.1
Stel	1.3	0.2	0.1	0.5	7.6	1.3	0.6	-
Tata	72.5	11.4	2.3	12.9	3.3	35.4	17.0	95.5
Unitech	6.0	0.9	1.0	5.6	20.2	6.0	2.9	-
Vodafone	109.1	17.2	2.7	15.1	2.6	32.6	15.7	42.7
Videocon	1.9	0.3	0.5	3.0	39.3	1.9	0.9	-
Total	635.5	100.0	18.0	100.0	2.9	208.2	100.0	48.7

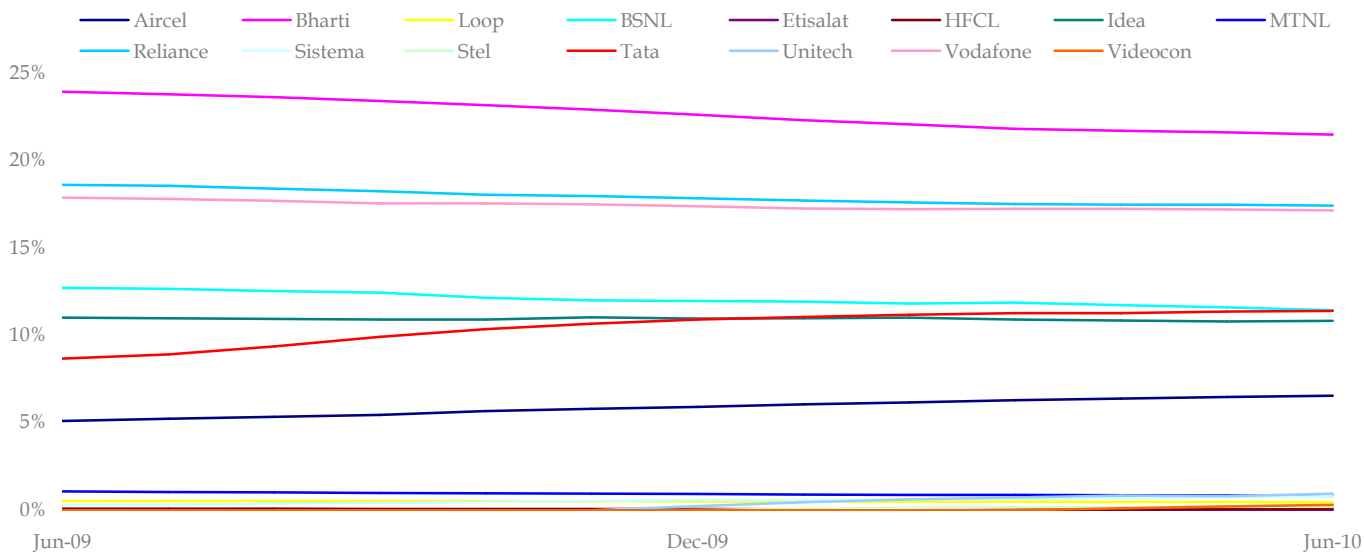
Circle-wise Wireless Subscribers

Circle (in mn)	End Jun-10		M-o-M			Y-o-Y		
	Sub- Scribers	Market Share (%)	Net Addition	Incr. Mkt Share (%)	M-o-M Gwth (%)	Net Addition	Incr. Mkt Share (%)	Y-o-Y Gwth (%)
A.P.	49.2	7.7	1.4	7.7	2.9	16.1	7.7	48.7
Assam	9.6	1.5	0.3	1.7	3.3	3.2	1.5	50.4
Bihar	40.8	6.4	1.3	7.2	3.3	16.6	8.0	68.8
Delhi	31.0	4.9	1.1	6.3	3.8	7.6	3.7	32.4
Gujarat	35.1	5.5	0.9	4.9	2.6	9.3	4.4	35.8
H.P.	5.5	0.9	0.2	0.9	3.1	1.8	0.9	51.1
Haryana	15.5	2.4	0.5	2.9	3.5	4.9	2.4	46.5
J & K	5.7	0.9	0.2	0.9	2.9	1.6	0.8	39.2
Karnataka	40.6	6.4	1.1	6.3	2.9	15.1	7.3	59.5
Kerala	25.6	4.0	0.6	3.1	2.2	7.7	3.7	42.6
Kolkata	17.5	2.7	0.4	2.2	2.3	5.0	2.4	40.4
M.P.	34.8	5.5	0.8	4.4	2.3	12.1	5.8	53.6
Maharashtra	46.8	7.4	1.1	6.1	2.4	13.3	6.4	39.7
Mumbai	29.1	4.6	0.9	5.1	3.3	8.7	4.2	42.5
North East	5.8	0.9	0.1	0.8	2.4	1.9	0.9	50.2
Orissa	16.9	2.7	0.5	2.8	3.0	6.9	3.3	69.5
Punjab	21.8	3.4	0.6	3.1	2.7	6.3	3.0	40.2
Rajasthan	35.6	5.6	0.5	3.0	1.6	10.4	5.0	41.0
T.N.	58.0	9.1	1.5	8.2	2.6	18.0	8.6	44.9
U.P.(E)	49.4	7.8	1.7	9.3	3.5	19.2	9.2	63.4
U.P.(W)	33.5	5.3	1.3	7.0	3.9	12.1	5.8	56.2
W.B.	27.8	4.4	1.1	6.2	4.2	10.5	5.0	60.2
Total	635.5	100.0	18.0	100.0	2.9	208.2	100.0	48.7

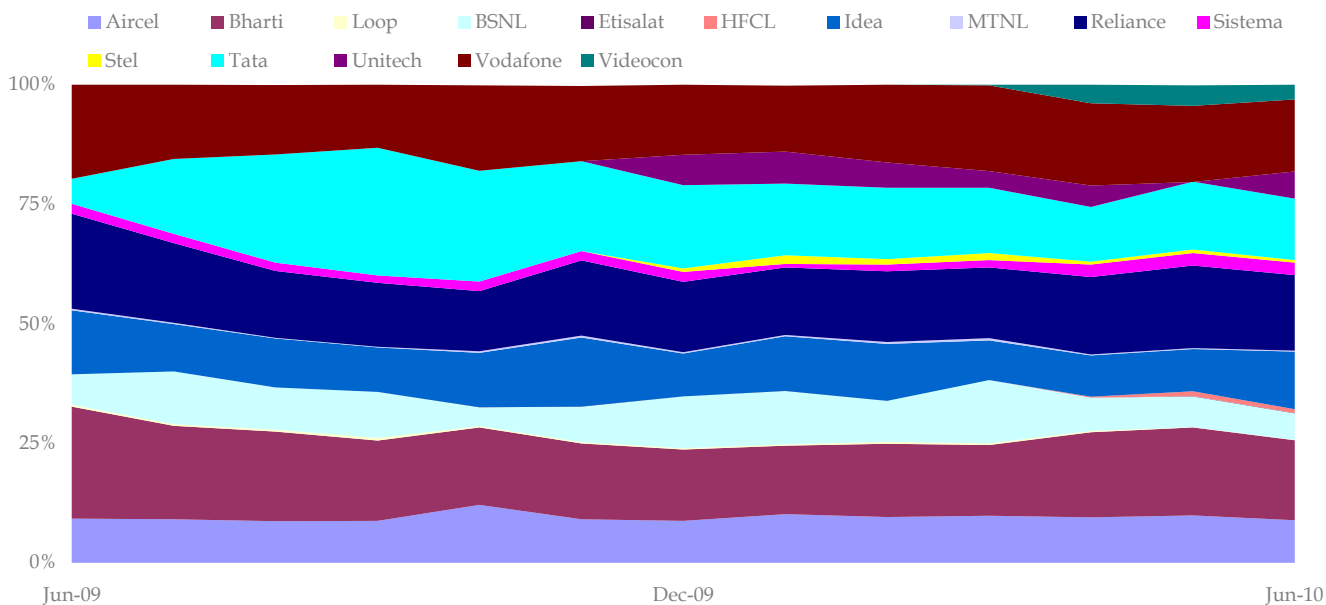


Wireless Market Share

Bharti, BSNL, R Com, MTNL and Vodafone lost 2.5%, 1.3%, 1.2%, 0.3% and 0.7% market share in last 12 months. Only Tata Tele managed to increase their share due to GSM roll out. Aircel gained 1.5% market share in last 12 months.

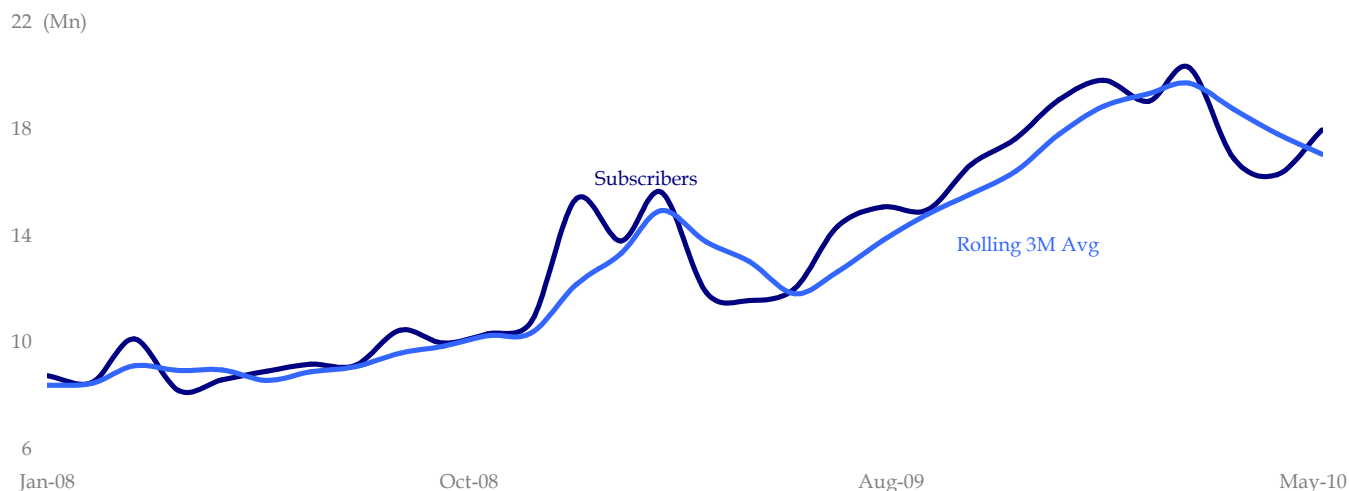


Wireless Incremental Market Share (M-o-M)

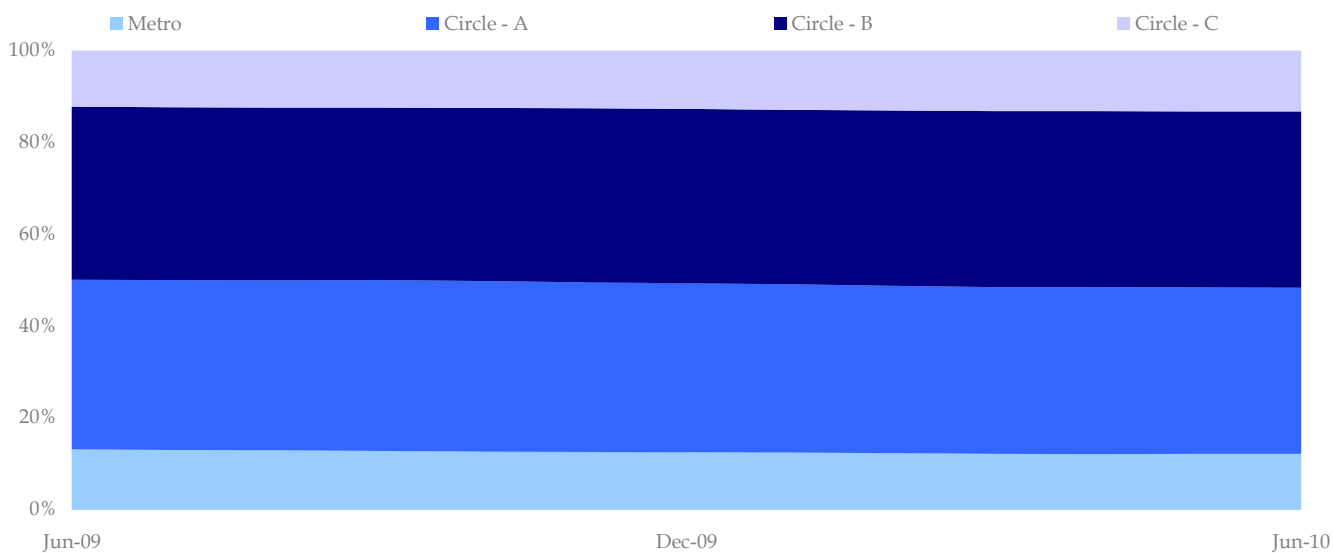




Wireless Subscribers Net Addition



Wireless Subscribers Category-wise Market Share



Wireline Subscriber

Service Providers (in mn)	End Jun-10		M-o-M	Y-o-Y
	Subscribers	Mkt Share (%)	Addition	Addition
Bharti	3.2	8.7	0.0	0.4
BSNL	26.9	74.5	-0.3	-2.0
HFCL	0.2	0.5	0.0	0.0
MTNL	3.5	9.6	0.0	-0.1
R Com	1.2	3.3	0.0	0.1
Sistema	0.0	0.1	0.0	-0.1
Tata	1.2	3.3	0.0	0.3
Total	36.2	100.0	-0.2	-1.5



INDIA

Name	Designation	Sectors	E-mail
EQUITY RESEARCH			
TEL. NO. +91 22 4076 7373		FAX +91 22 4076 7378	
Ashok Jainani	VP, Head Research	Market Strategy	ashokjainani@kslindia.com
Dipesh Mehta	Sr. Research Analyst	IT, Telecom	dipesh@kslindia.com
Hatim K Broachwala	Research Analyst	BFSI	hatim@kslindia.com
Vinay Nair	Research Analyst	Energy	vinay.nair@kslindia.com
Giriraj Daga	Research Analyst	Metals & Mining, Cement	giriraj@kslindia.com
Kruti Shah	Research Associate	Economics	kruti.shah@kslindia.com
Aditya Shekhawat	Research Associate	Autos	aditya.shekhawat@kslindia.com
Dinesh Bhatia	Research Associate	Technical Analysis	dinesh.bhatia@kslindia.com
Sandeep Bhatkhande	Research Associate	Publishing	sandeep@kslindia.com
Lydia Rodrigues	Research Executive	Data Mining	lydia@kslindia.com
INSTITUTIONAL DEALING			
TEL NO. +91 22 4076 7342-47/56		FAX NO. +91 22 4076 73 77-78	
Biranchi Sahu	Head	Institutional Equity	bsahu@kslindia.com
Gopi Doshi	Senior Dealer	Institutional Equity	gopi.doshi@kslindia.com
Mayank Patwardhan	Dealer	Institutional Equity	mayank.patwardhan@kslindia.com
Bhadresh Shah	Dealer	Institutional Equity	bhadresh.shah@kslindia.com
PRIVATE CLIENT GROUP			
TEL NO. +91 22 4200 7300		FAX NO. +91 22 4200 7399	
BRANCH OFFICE (PUNE)			
TEL NO. +91 20 2567 1404/06		FAX NO. +91 20 2567 1405	
Ajay G Laddha	Vice President	ajay@kslindia.com	

Head Office	Corporate Office	Branch Office
Khandwala Securities Limited	TruMonee Financial Limited	Khandwala Securities Limited
Vikas Building, Ground Floor, Green Street, Fort, MUMBAI 400 023. Tel. No. (91) (22) 4076 7373 Fax No. (91) (22) 4076 7377/78 E-mail: research@kslindia.com www.kslindia.com	1st Floor, White House Annexe, White House, 91, Walkeshwar Road, Walkeshwar, MUMBAI - 400 006 Tel No.: +91 22 4200 7300 Fax No.: +91 22 4200 7399 Email: advice@trumonee.com www.trumonee.com	C8/9, Dr. Herekar Park, Off. Bhandarkar Road, PUNE 411 004 Tel. No. (91) (20) 2567 1404/06 Fax. No. (91) (20) 2567 1405 Email: pune@kslindia.com

Important Disclosure:

The Research team of Khandwala Securities Limited (KSL) on behalf of itself has prepared the information given and opinions expressed in this report. The information contained has been obtained from sources believed to be reliable and in good faith, but which may not be verified independently. While utmost care has been taken in preparing the above report, KSL or its group companies make no guarantee, representation or warranty, whether express or implied and accepts no responsibility or liability as to its accuracy or completeness of the data being provided. All investment information and opinion are subject to change without notice. Also, not all customers may receive the material at the same time.

This document is for private circulation and information purposes only. It does not and should not be construed as an offer to buy or sell securities mentioned herein. KSL shall not be liable for any direct or indirect losses arising from the use thereof and the investors are expected to use the information contained herein at their own risk. KSL and its affiliates and / or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and from time to time add to or dispose of any such investment. KSL and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investments related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors, as they believe necessary. Income from investments may fluctuate. The price or value of the investments, to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. The value of or income from any investment may be adversely affected by changes in the rates of currency exchange.

This document is strictly meant for use by the recipient only. None of the material in this report shall be reproduced, resold or re-distributed in any manner whatsoever without the prior explicit written permission from KSL.