

## FADING SIGNAL

### Monthly net subscriber additions

**OPERATOR-WISE ADDITIONS- Except for Idea and Sistema, net additions have tapered significantly for operators**

	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11	SEP-11	OCT-11	NOV-11
<b>Bharti</b>	31.0	31.0	33.0	32.0	32.0	24.1	24.5	21.2	15.1	11.5	9.4	9.5	9.6
<b>BSNL</b>	30.2	31.9	22.0	15.1	13.6	6.9	4.7	8.4	17.7	3.9	4.5	5.1	5.6
<b>Idea Mobile</b>	28.0	29.5	25.1	25.1	27.0	24.5	18.0	13.5	10.0	23.3	17.4	16.4	21.7
<b>Reliance</b>	30.1	130.2	32.2	33.1	35.4	29.4	25.0	21.0	15.2	12.8	10.2	10.3	10.1
<b>Sistema Shyam</b>	6.6	6.6	6.6	5.2	4.4	5.8	6.0	4.9	5.3	5.8	4.3	7.5	4.8
<b>Tata</b>	17.8	16.4	18.2	16.0	14.8	12.5	3.9	-20.6	-4.0	2.4	2.2	-9.4	-44.5
<b>Vodafone</b>	31.2	30.9	31.1	35.6	36.5	24.1	24.5	20.9	14.9	11.3	8.5	9.2	9.3

**CIRCLE-WISE ADDITIONS- While metros offer higher per user revenue, their user base has ceased to expand**

	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11	SEP-11	OCT-11	NOV-11
<b>All Metros</b>	19.8	21.6	20.9	25.7	20.1	16.9	16.3	11.6	-0.9	3.9	5.9	6.4	-8.7
<b>A Circle</b>	80.9	78.8	59.2	64.9	60.4	53.4	24.2	37.3	32.5	30.9	23.1	20.3	8.6
<b>B Circle</b>	96.0	98.3	83.0	83.2	91.5	64.3	63.6	43.6	21.8	25.4	36.9	34.7	23.1
<b>C Circle</b>	32.1	27.5	26.9	28.2	30.1	18.9	29.4	21.6	13.3	13.2	13.2	16.4	6.7
<b>Total</b>	<b>228.8</b>	<b>226.2</b>	<b>189.9</b>	<b>202.0</b>	<b>202.7</b>	<b>153.4</b>	<b>133.5</b>	<b>114.1</b>	<b>66.7</b>	<b>73.4</b>	<b>79.0</b>	<b>77.9</b>	<b>29.7</b>

Source: TRAI, ETIG database

(lakh subscribers)



### MOST FAVOURED STOCKS

#### Bharti Airtel and Idea Cellular

look well placed with higher active user base and thrust on value-added services

The Indian wireless communications market is fast reaching a saturation point with a sharp deceleration in the monthly net subscriber additions. Barring a few operators including Idea Cellular and Sistema Shyam Teleservices, operators have been reporting tapering net additions every month. In such a scenario, Bharti Airtel's strategy to expand into other geographies and Idea Cellular's ability to maintain a high ratio of active mobile accounts will come in handy for these players in retaining revenue growth and profitability in the future. In addition, the slowing rate of new user addition will compel operators to focus more on value-added services to generate incremental revenue.

The data from Telecom Regulatory Authority of India (TRAI) on monthly subscriber additions shows that net subscriber addition has fallen gradually in the last year across all metro cities and telecom circles. Metro regions including Chennai, Delhi, Kolkata, and Mumbai have started showing signs of fatigue in subscriber

growth. In November, metros reported a drop of 8.7 lakh subscribers after reporting a subdued single digit increase in the previous three months.

In the B circle which includes Haryana, Kerala, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh (East and West), and West Bengal, net subscriber addition has been in double digits, but the extent has reduced substantially. The circle reported 23.1 lakh new users in November, much lesser than 96 lakh a year ago.

The impact of lower additions is visible on the user base of individual operators. In addition, the facility of changing operators while retaining mobile numbers, known as mobile number portability, has resulted in subscriber churn for some players. Tata Group, for instance, seems to be the biggest loser among operators. It reported a drop of 44.5 lakh users in November, its second consecutive month of user truncation.

Idea and Sistema Shyam are the only two players who have been able to add subscribers at a faster clip for the last

few months.

Mobile operators have long been relying on faster growth of subscriber base to retain revenue growth. For instance, Bharti's domestic revenue increased by 34% in the two years ended September 2011 despite a steep 45% fall in the average revenue per user (ARPU). The top line growth was largely supported by a two-fold jump in its mobile user base during the period.

The current tapering trend in new additions means operators can no longer rely solely on customer additions to sustain revenue growth. This necessitates a greater focus on improving ARPU. The launch of 3G-related services and proliferating software applications for the smartphone users will be major growth drivers that can boost the share of value-added services (VAS) in revenue. Given their higher margins, VAS sales will help to offset the impact of falling net subscriber additions.

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