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SECTOR ANALYSIS TELECOM

Telecom to Ring in the Gains as Rural India has More to Spend

CIRCLEWISE NET SUBSCRIBER ADDITIONS FOR OPERATORS IN JULY 2011

Operator	NET ADDS (MUN)		MARKET SHARE (%)		NET ADDS (MUN)		MARKET SHARE (%)		NET ADDS (MUN)		MARKET SHARE (%)	
	A, B, C CIRCLES	SHARE (%)	B, C CIRCLES	SHARE (%)	ALL INDIA	SHARE (%)	A, B, C CIRCLES	SHARE (%)	ALL INDIA	SHARE (%)	A, B, C CIRCLES	SHARE (%)
Bellare	37.0	19	29.9	23	44.0	20						
Vodafone/Nutchison	27.8	14	17.0	13	31.5	14						
Bharti	28.3	15	19.6	15	31.5	14						
Idea Cellular	23.6	12	15.1	12	23.4	12						
BSNL	21.5	11	12.1	9	22.2	10						
Uninor	16.3	8	11.1	8	20.5	9						
Airtel	13.8	7	8.8	7	15.3	7						
Tata	12.2	6	8.0	6	13.5	6						
Sistema Shyam	5.6	3	3.7	3	6.7	3						
Vidcon	3.6	2	1.9	2	4.3	2						
Others	2.4	1	2.3	1	3.7	2						

SOURCE: TRAI, ETIS

MOST FAVOURED STOCK

Bharti Airtel looks well in position to take advantage of the gradual shift in consumer preference to smart phones and 3G applications.

Rising disposable income in the hands of consumers living in semi-urban and rural areas is expected to boost domestic consumerism. And the telecom sector is likely to be one of the main beneficiaries of the higher traction in these regions.

Most of the leading wireless operators are striving to increase their presence in towns and rural India, which are categorised under Band C telecom circles. The ET Intelligence Group's analysis of the latest subscriber data released by the Telecom Regulatory Authority (TRAI) throws light on which operators are expanding their user base faster in these circles.

According to the data, which measures the number of net subscriber additions at the end of July 2011 over the year-ago levels, Reliance Communications accounts for 19% of the total net addi-

tions of 194 million users in Band C circles, the highest share among peers. The company promoted by the ADAG group also dominates the net user additions in A, B, and C circles with a market share of 23%.

Bharti Airtel (15% share) and Vodafone (13%) are next in the list of market shares of net user additions for the Band C circles. Among the established players, Airtel and Tata group telecom companies have relatively lower penetration in these regions.

The data also reveals that new entrant Uninor grabbed 8% share of net additions in the semi-urban and rural regions, much ahead of other new incumbents such as Sistema Shyam and

Vidcon, each of which has a share of 2%.

One argument against having a higher rural and semi-urban telecom penetration is the lower propensity of subscribers in these regions to spend on telecom services. Due to this, telecom operators earn a much lower average per user revenue in these areas thereby impacting overall profitability.

This is, however, likely to change in the next few years and the change will be driven by availability of low-cost smartphones that can offer functionality beyond basic voice and text services. The development of software applications targeted at the needs of farmers and other specific user groups will enable telecom players to run profitable operations even in the rural areas.

