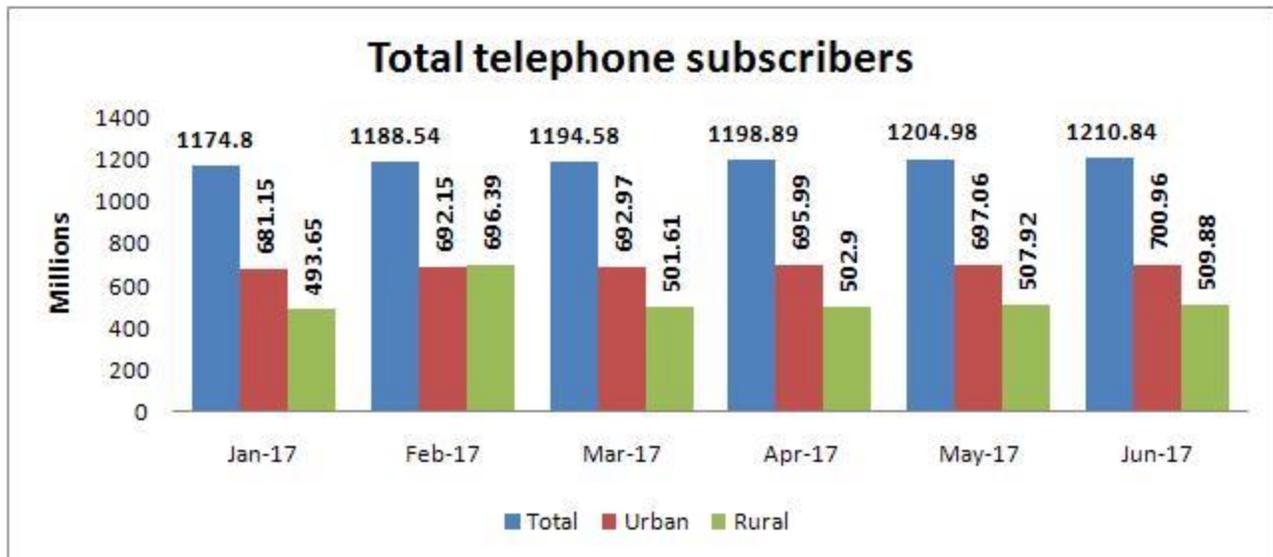


Indian telecom sector has emerged as a key driver of economic and social development and the country is currently the world's second-largest telecommunications market with a subscriber base of around 1.25 billion, registering strong growth in the past decade and half. India is also the second largest country in terms of internet subscribers. Also, the country is now the world's second largest smartphone market and will have almost one billion unique mobile subscribers by 2020.

Total telephone subscribers

The number of telephone subscribers in India increased from 1,204.98 million at the end of May-17 to 1,210.84 million at the end of June-17, thereby showing a monthly growth rate of 0.49%. The urban subscription increased from 697.06 million at the end of May-17 to 700.96 million at the end of June-17, and the rural subscription increased from 507.92 million to 509.88 million during the same period. The monthly growth rates of urban and rural subscription were 0.56% and 0.39% respectively during the month of June-17.

The overall Tele-density in India increased from 93.61 at the end of May-17 to 93.98 at the end of June-17. The Urban Tele-density increased from 172.28 at the end of May-17 to 172.98 at the end of June-17, and the Rural Tele-density increased from 57.55 at the end of May-17 to 57.73 at the end of June-17. The share of urban subscribers and rural subscribers in total number of telephone subscribers at the end of June-17 was 57.89% and 42.11% respectively.

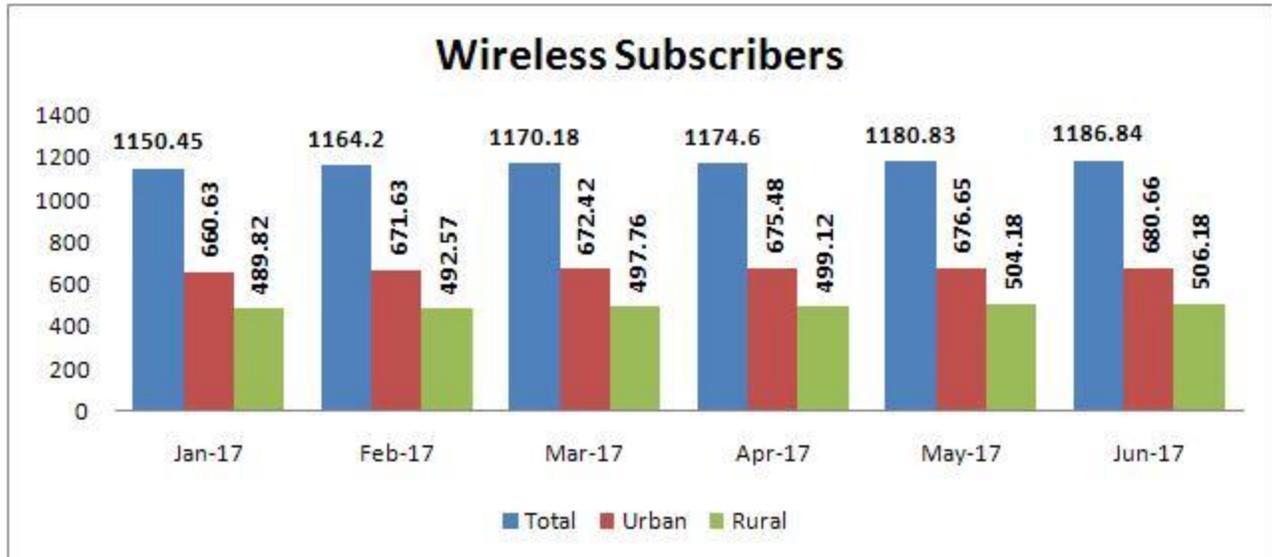


Wireless subscribers

Total wireless subscribers (GSM, CDMA & LTE) increased from 1,180.82 million at the end of May-17 to 1,186.84 million at the end of June-17, thereby registering a monthly growth rate of 0.51%. The Wireless subscription in urban areas increased from 676.65 million at the end of May-17 to 680.66 million at the end of June-17, and wireless subscription in rural areas

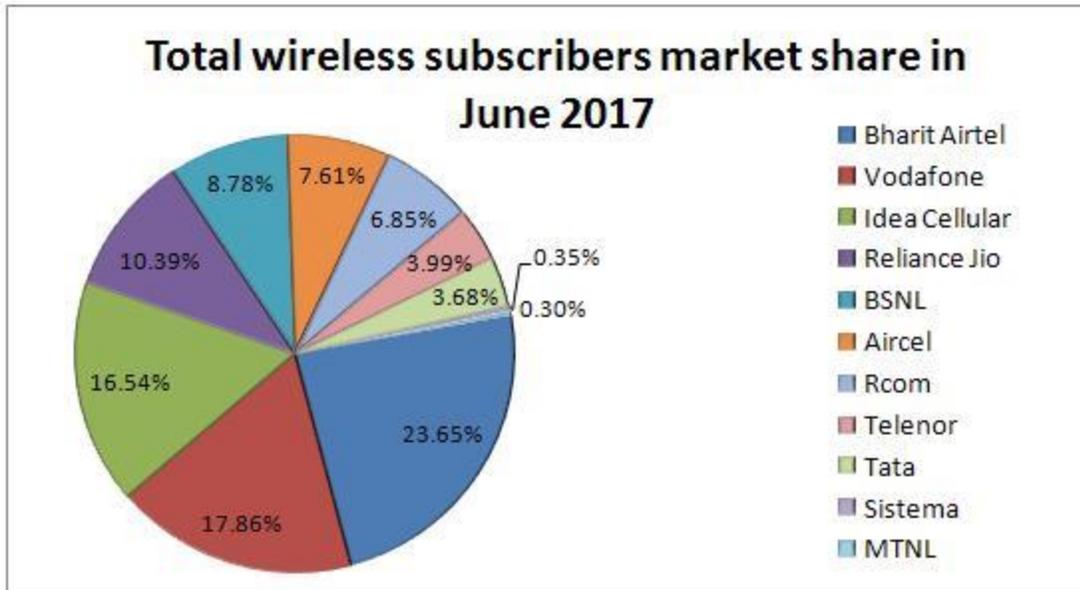
increased from 504.18 million to 506.18 million during the same period. The monthly growth rates of urban and rural wireless subscription were 0.59% and 0.40% respectively.

Out of the total wireless subscribers (1,186.84 million), 1,022.75 million wireless subscribers were active on the date of peak VLR in the month of Jun-17. The proportion of active wireless subscribers was approximately 86.17% of the total wireless subscriber base. All the service areas showed positive growth rate in wireless subscribers during the month of Jun-17. J&K service areas showed maximum growth rate in wireless subscribers during the month.



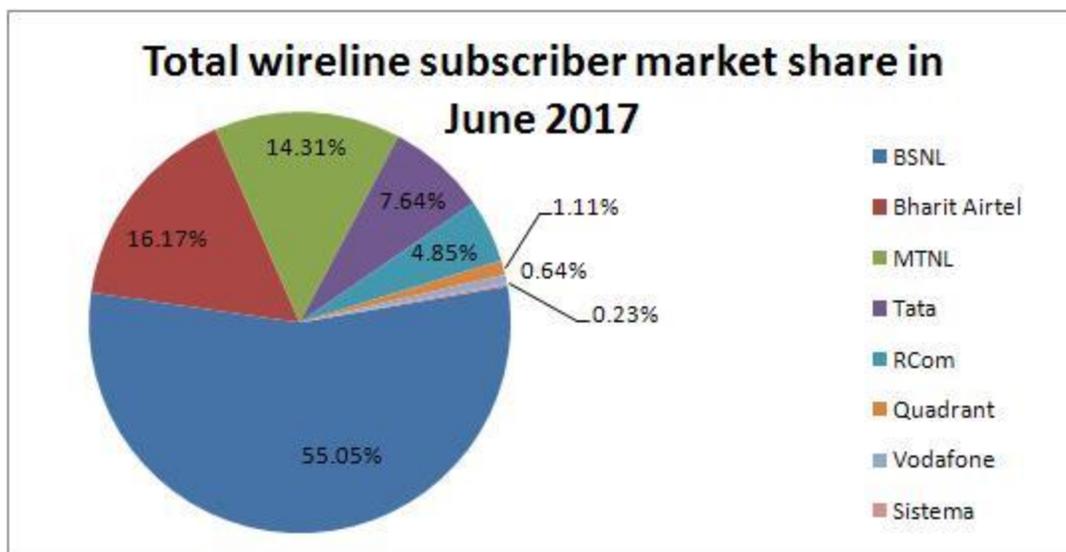
The Wireless Tele-density (%) in India increased from 91.74 at the end of May-17 to 92.12 at the end of June-17. The Urban Wireless Tele-density increased from 167.24 at the end of May-17 to 167.97 at the end of June-17, and Rural Wireless Tele-density increased from 57.12 to 57.31 during the same period. The share of urban and rural wireless subscribers in total number of wireless subscribers was 57.35% and 42.65% respectively at the end of June-17.

As on 30th June, 2017, the private access service providers held 90.92% market share of the wireless subscribers whereas BSNL and MTNL, the two PSU access service providers, had a market share of only 9.08%.



Wireline subscribers

Wireline subscribers declined from 24.16 million at the end of May-17 to 24.00 million at the end of June-17. Net decline in the wireline subscriber base was 0.16 million with a monthly decline rate of 0.66%. The share of urban and rural subscribers in total wireline subscribers were 84.62% and 15.38% respectively at the end of June-17. The Overall Wireline Tele-density (%) declined from 1.88 at the end of May-17 to 1.86 at the end of June-17. Urban and Rural Wireline Teledensity were 5.01 and 0.42 respectively during the same period. BSNL and MTNL, the two PSU access service providers, held 69.36% of the wireline market share.



Mobile number portability

During the month of June-17, a total of 5.88 million requests were received for mobile number portability (MNP). With this, the cumulative MNP requests increased from 283.09 million at the end of May-17 to 288.97 million at the end of June-17, since the implementation of MNP. In

MNP Zone-I (Northern and Western India), the highest number of requests have been received in Rajasthan (about 24.34 million) followed by Gujarat (about 20.64 million). In MNP Zone-II (Southern and Eastern India), the highest number of requests have been received in Karnataka (about 31.46 million) followed by Andhra Pradesh (about 26.01 million).

Broadband

The number of broadband subscribers increased from 291.61 Million at the end of May-17 to 300.84 million at the end of June-17 with a monthly growth rate of 3.17%. Top five service providers constituted 89.08% market share of the total broadband subscribers at the end of June-17. These service providers were Reliance Jio Infocom Ltd (123.36 million), Bharti Airtel (55.34 million), Vodafone (41.14 million), Idea Cellular (26.37 million) and BSNL (21.76 million).

As on June 30, 2017, the top five Wired Broadband Service providers were BSNL (9.73 million), Bharti Airtel (2.10 million), Atria Convergence Technologies (1.22 million), MTNL (0.98 million) and YOU Broadband (0.65 million), while, the top five Wireless Broadband Service providers were Reliance Jio Infocomm Ltd (123.36 million), Bharti Airtel (53.25 million), Vodafone (41.13 million), Idea Cellular (26.37 million) and Reliance Communications (13.54 million) as on June 30, 2017

India's telecom sector to create 30 lakh jobs by 2018

A joint study carried out by the industry body Associated Chambers of Commerce & Industry of India (ASSOCHAM) and KPMG has found out that the telecommunications sector in India will create as many as 30 lakh jobs by 2018 on the back of rapid 4G technology deployments, rising data consumption, introduction of digital wallets and popularity of smartphones. In addition, study revealed that emerging technologies such as 5G, M2M and the evolution of Information and Communications Technology (ICT) are expected to create employment avenues for almost 870,000 individuals by 2021. It added that sector contribution to GDP is likely to touch 8.2 per cent by 2020. The study further pegged the capex investment during 2016-20 at \$35 billion.

New telecom policy to boost local manufacturing

The new telecom policy (NTP) will comprise a package to boost domestic manufacturing of equipment to reduce import dependence and create local employment. She said that work on the policy blueprint is expected to start after the meeting of the Telecom Commission -- the highest decision making body for the telecommunications sector. She added that the NTP roadmap will be placed before the inter- ministerial panel. To begin with, she noted that the policy draft will be placed in public domain for wider consultations by December or January.

Recent developments

TRAI releases consultation paper on the next round of spectrum auctions

The Telecom Regulatory Authority of India (TRAI) has released a consultation paper on the next round of spectrum auctions which could see 5G airwaves promising superfast download speeds making a debut, seeking stakeholders' response, the regulator has noted other issues faced by the industry, including one relating to spectrum holdings when two telecom companies merge. In the

consultation paper Trai has sought carriers' views on spectrum caps and rollout obligations for 5G spectrum besides the pricing of 4G airwaves in the coveted 700 MHz band that went unsold in the last auction. The regulator has also sought industry's views on the valuation methodology of spectrum in the 3300-3400 MHz and 3400-3600 MHz bands-used for 5G services, which are proposed to be auctioned for the first time, and on whether such valuation can be derived from other airwave bands 'using a technical efficiency factor'.

Trai sought to know when to hold the next sale, noting the spectrum acquired in the October 2016 auction was yet to be deployed fully. Moreover, the telecom Industry was currently consolidating with some telcos in the process of exiting. The spectrum sale could put on the table 60% of unsold airwaves from the last October auctions and some 275 units of new spectrum in bands identified for 5G services. As per the consultation paper, 45 MHz spectrum (FDD/paired) can be utilised in APT700 band plan, unsold 58.75 MHz spectrum in 19 LSAs of last auction in 800MHz band, 9.4 MHz in the 900 MHz Band, 46.80 MHz spectrum in 1800 MHz Band, 275 MHz spectrum in 2100 MHz Band and 230 MHz spectrum in 2500 MHz Band too will be up for sale. DoT has proposed to include 100 MHz in all the 22 LSAs in the 3300-3400 MHz band for the forthcoming auction for access services.

TRAI issues rules against call drops; telcos to face penalty up to Rs 10 lakh

The Telecom Regulatory Authority of India (TRAI) has issued stringent rules to curb call drops with a maximum penalty of Rs 10 lakh on cellular service providers if they fail to meet the voice quality benchmarks for three successive quarters. The regulator also noted that this would be effective from October 1, 2017. TRAI Chairman RS Sharma has said that they have proposed financial disincentive in the range of Rs 1 lakh to Rs 5 lakh. He also said that it is a graded penalty system depending on the performance of the telecom network. Besides, TRAI Secretary in-charge S K Gupta has explained that if an operator failed to meet call drop benchmark in the consecutive quarter, the penalty amount would be increased 1.5 times, and for failure in the third consecutive month, this will be doubled. However, he said that there is a cap of Rs 10 lakh on financial disincentive.

Under the previous Quality of Service Rule, telcos need to pay Rs 50,000 to 1 lakh for call drops or if they are not meeting the norms. Now the regulator has made measurement of call drop rate more granular from circle level to mobile towers in a circle. Under the revised rule, 90% of base transceiver station or mobile site in a telecom circle 90% of time should not fail to handle 98% of the call, which means not more than 2% calls handled by them should drop. During busy hours of the day, not more than 3% call drop should be registered on 90% of mobile towers in a telecom circle. Besides, the regulator also fixed the benchmark for radio-link time out technology, reportedly used by telecom operators for masking call drops.

Outlook

Stiff competition and pricing war between telcos will continue to take a toll on the sector with top-line of the industry likely to decline in coming year. The roll out of GST increased concern for the telecom companies as the higher tax incidence would have to be absorbed by them leading to some additional pressure on cash flows. However, the telecommunications sector's outlook looks promising on the back of rising non-voice revenues and increasing penetration in rural market. Moreover, initiatives such as Digital India and Smart Cities will help telecom tower industry to emerge as the key enabler for these initiatives by providing robust telecom infrastructure that connects every corner of India. The sector will also get some boost with the government's favourable regulation policies and 4G services. With government planning to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz, the sector is likely to perform well in the years to come

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Tata Communications Ltd.	694.95	19806.08	327.62	0.86	19.91	34.91
Bharti Infratel Ltd.	393.40	72763.59	87.19	4.07	14.20	27.70
Accord Synergy Ltd.	52.80	18.33		0.00	7.49	7.05
ETL Infrastructure Services Ltd.	3.27	6.54	10.09	0.00	0.31	10.48
Vital Communications Ltd.	0.69	2.62	10.55	0.00	-0.01	0.00
Dhanus Technologies Ltd.	0.08	4.57		0.00	-0.07	0.00
Hathway Cable & Datacom Ltd.	31.40	2607.75	12.10	0.00	-0.89	0.00
Idea Cellular Ltd.	80.15	28908.92	62.85	0.00	-5.31	0.00
Reliance Communications Ltd.	19.80	4928.18	92.90	0.00	-8.84	0.00
We Internet Ltd.	11.30	8.42	8.02	0.00	-12.69	0.00
Tata Teleservices (Maharashtra) Ltd.	6.16	1204.24	-32.69	0.00	-13.96	0.00

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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