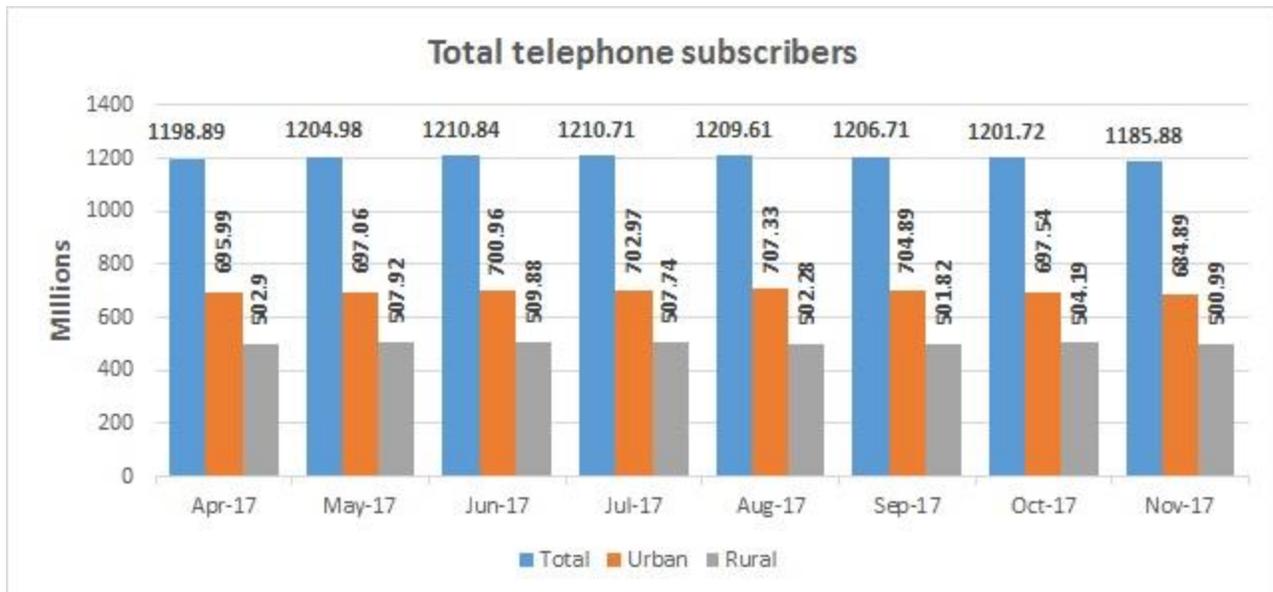


India is currently the world's second-largest telecommunications market with a subscriber base of around 1.20 billion and has registered strong growth in the past decade and half. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP). The country is the fourth largest app economy in the world. India's telecom market is expected to experience further growth, fuelled by increased non-voice revenues and higher penetration in rural market. Telecom penetration in the nation's rural market increased to 56.94 per cent by November 2017. The emergence of an affluent middle class is triggering demand for the mobile and internet segments. The Indian telecom sector is expected to generate four million direct and indirect jobs over the next five years. The employment opportunities are expected to be created due to combination of government's efforts to increase penetration in rural areas and the rapid increase in smartphone sales and rising internet usage.

Total telephone subscribers

The number of telephone subscribers in India declined from 1,201.72 million at the end of Oct-17 to 1,185.88 million at the end of Nov-17, thereby showing a monthly decline rate of 1.32%. The urban subscription declined from 697.54 million at the end of Oct-17 to 684.89 million at the end of Nov-17, and the rural subscription also declined from 504.19 million to 500.99 million during the same period. The monthly decline rates of urban and rural subscription were 1.81% and 0.63% respectively during the month of Nov-17.

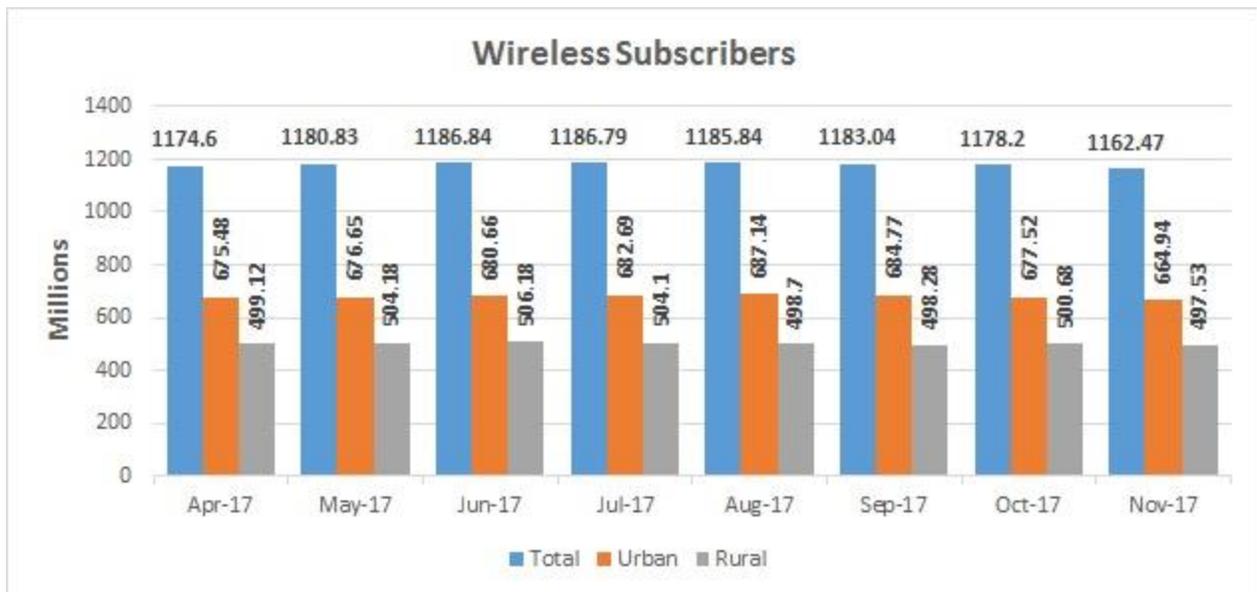
The overall Tele-density in India declined from 92.92 at the end of Oct-17 to 91.61 at the end of Nov-17. The Urban Tele-density declined from 171.08 at the end of Oct-17 to 167.72 at the end of Nov-17, and the Rural Teledensity also declined from 56.94 at the end of Oct-17 to 56.54 at the end of Nov-17. The share of urban subscribers and rural subscribers in total number of telephone subscribers at the end of Nov-17 was 57.75% and 42.25% respectively.



Wireless subscribers

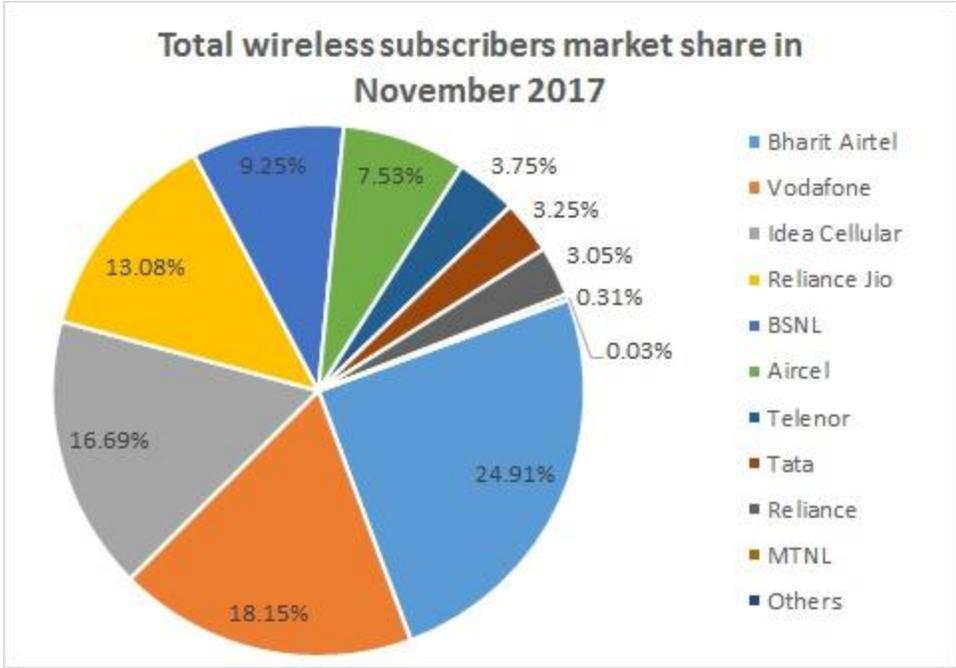
Total wireless subscribers (GSM, CDMA & LTE) declined from 1,178.20 million at the end of Oct-17 to 1,162.47 million at the end of Nov-17, thereby registering a monthly decline rate of 1.33%. The Wireless subscription in urban areas declined from 677.52 million at the end of Oct-17 to 664.94 million at the end of Nov-17, and wireless subscriptions in rural areas also declined from 500.68 million to 497.53 million during the month. The monthly decline rates of urban and rural wireless subscription were 1.86% and 0.63% respectively.

Out of the total wireless subscribers (1,162.47 million), 1,006.40 million wireless subscribers were active on the date of peak VLR in the month of Nov-17. The proportion of active wireless subscribers was approximately 86.57% of the total wireless subscriber base. During the month of Nov-17, Madhya Pradesh service area showed maximum growth rate in wireless subscribers. However, U.P. (West) service areas showed maximum decline rate in wireless subscribers during the month.



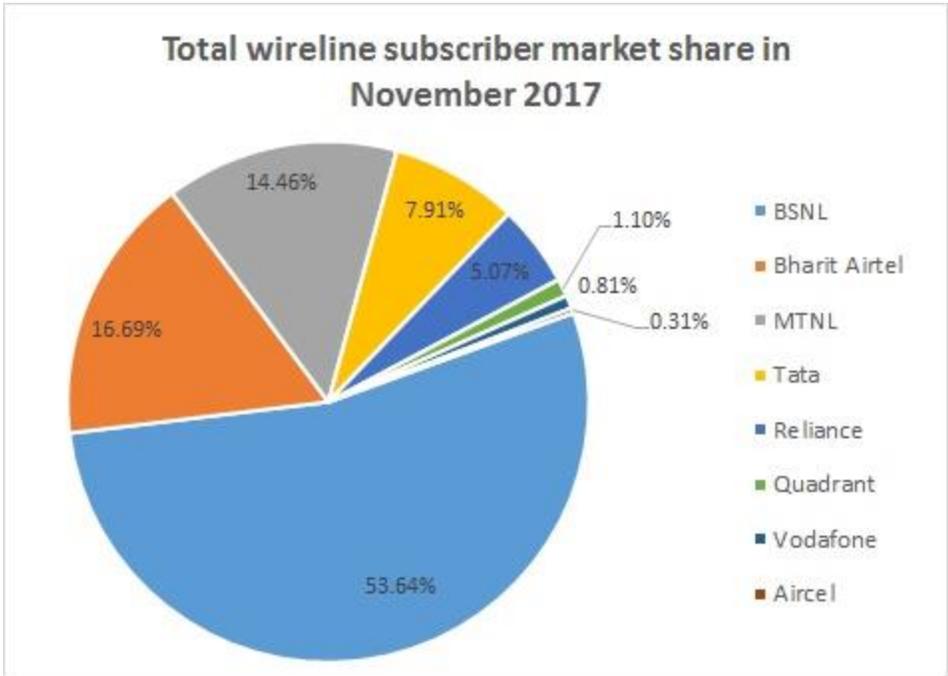
The Wireless Tele-density (%) in India declined from 91.11 at the end of Oct-17 to 89.81 at the end of Nov-17. The Urban Wireless Tele-density declined from 166.17 at the end of Oct-17 to 162.84 at the end of Nov-17, and Rural Wireless Tele-density also declined from 56.54 to 56.15 during the same period. The share of urban and rural wireless subscribers in total number of wireless subscribers was 57.20% and 42.80% respectively at the end of Nov-17.

As on November 30, 2017, the private access service providers held 90.44% market share of the wireless subscribers whereas BSNL and MTNL, the two PSU access service providers, had a market share of only 9.56%.



Wireline subscribers

Wireline subscribers further declined from 23.53 million at the end of Oct-17 to 23.41 million at the end of Nov-17. Net decline in the wireline subscriber base was 0.12 million with a monthly decline rate of 0.49%. The share of urban and rural subscribers in total wireline subscribers were 85.20% and 14.80% respectively at the end of Nov-17. The Overall Wireline Tele-density (%) declined from 1.82 at the end of Oct-17 to 1.81 at the end of Nov-17. Urban and Rural Wireline Teledensity were 4.88 and 0.39 respectively during the same period. BSNL and MTNL, the two PSU access service providers, held 68.10% of the wireline market share.



Mobile number portability

During the month of Nov-17, a total of 15.99 million requests were received for Mobile number portability (MNP). With this, the cumulative MNP requests increased from 314.99 million at the end of Oct-17 to 330.98 million at the end of Nov-17, since the implementation of MNP. In MNP Zone-I (Northern and Western India), the highest number of requests till date have been received in Rajasthan (about 27.54 million) followed by Gujarat (about 23.33 million). In MNP Zone-II (Southern and Eastern India), the highest number of requests till date have been received in Karnataka (about 34.36 million) followed by Andhra Pradesh (about 29.21 million).

Broadband

As per the reports received from the service providers, the number of broadband subscribers increased from 340.16 Million at the end of Oct-17 to 350.70 million at the end of Nov-17 with a monthly growth rate of 3.10%. Top five service providers constituted 92.92% market share of the total broadband subscribers at the end of Nov-17. These service providers were Reliance Jio Infocom (152.08 million), Bharti Airtel (69.38 million), Vodafone (50.16 million), Idea Cellular (32.90 million) and BSNL (21.37 million).

As on November 30, 2017, the top five Wired Broadband Service providers were BSNL (9.43 million), Bharti Airtel (2.14 million), Atria Convergence Technologies (1.27 million), MTNL (0.92 million) and Hathway Cable & Datacom (0.69 million). As on November 30, 2017, the top five Wireless Broadband Service providers were Reliance Jio Infocomm (152.08 million), Bharti Airtel (67.24 million), Vodafone (50.15 million), Idea Cellular (32.90 million) and BSNL (11.94 million).

Budget impact on telecom sector

The telecom department (DoT) will support a 5G technologies test bed that would be anchored out of IIT Chennai. The Finance Minister's 5G-related budget proposal indicates India seeks to be at the forefront of development as well as local manufacturing of 5G devices, going forward. The government is aiming to roll out 5G in 2020, in line with global markets. Giving push to the Digital India initiative, Budget 2018 proposed to set up 5 lakh hotspots to provide broadband to 5 crore Indians. For this, the government has allocated Rs 10,000 crore under the telecom infrastructure.

Arun Jaitley has proposed that Niti Aayog will establish a national programme to direct research efforts in new-age technologies to enhance research in disruptive technologies like Artificial Intelligence (AI), Big Data, Internet of Things (IoT) and Robotics. The Department of Science will also launch a mission for cyberspace. Moreover, the government is expecting around 58 per cent increase in revenue at Rs 48,661.42 crore from the stressed telecom sector in 2018-19 against the revised revenue estimate of Rs 30,736.47 crore for the current fiscal. However, the telecom industry is disappointed that none of its key asks have found mention in the budget 2018-19. The sector had sought a reduction in the high levies and taxes, and an urgent intervention for resuscitating the sector, which is currently experiencing its worst financial health and hyper competition.

Recent developments

New Telecom Policy 2018

DoT has set up a dozen working groups to discuss broad contours of the new telecom policy, in the works for most of the past year, with the aim of formally putting it in place by March-end. The policy comes with certain objectives which it aims to achieve in a set timeline. The policy would look at enabling access at affordable prices for wireless broadband services including through satellite to 90% population

by 2022. The aim is to ensure availability of bandwidth on demand through wireline, including cable TV and optical fibre networks to 30% households by 2020 and 50% households by 2022. The objective of the policy is to provide at least 1 GBps data connectivity to all Gram Panchayats to enable wireless broadband services to inhabitants by 2022. Another key objective is to achieve 900 million broadband subscriptions supporting download speed of 2 Mbps out of at least 150 million broadband subscriptions supporting download speed of 20 Mbps and 25 million at a download speed of 50 Mbps by 2022.

There will be focus on leapfrogging India into the top-50 nations in the ICT Development Index (IDI) by 2022. Also, the aim would be to enable access for connecting to 1 billion IoT/M2M sensors/devices by 2020 and 5 billion by 2022. Another objective is to deploy 2 million public WLAN including Wi-Fi hotspots in the country by 2020 and 5 million by 2022. The policy has an objective to attract investment equivalent to \$60 billion in communication sector by 2020 and \$100 billion by 2022. Also the goal is to become net positive in international trade of communication systems and services by 2022. The objectives of the policy have mentioned that an online platform will be put in place for all Government to Business (G2B) activities including spectrum and license related information, applications, clearances, compliances and payments by 2019. Also, the objective would be to simplify licensing and regulatory framework and rationalize taxes, levies and related compliances by 2019.

Govt mulling to allow 100% FDI in Telecom services under automatic route

The government is looking at further easing foreign direct investment (FDI) in the telecom services including infrastructure, by allowing 100 percent foreign equity through the automatic route which allows firms to attract foreign funds without its approval. At present, all telecom services, including telecom infrastructure providers, such as basic, cellular, unified access services, unified licence (access services), unified licence, dark fibre, right of way, duct space and tower have FDI cap/equity up to 100 percent and automatic up to 49 percent. The inflow of overseas investment beyond that requires government approval because of security reasons.

Increasing the FDI limit to 100 percent under automatic route for infrastructure providers would create transparency and abolish bureaucracy or red-tapism. The proposal is likely to be considered by the Telecom Commission, the apex decision-making body of the Department of Telecom. The panel is also likely to discuss the relief package recommended by an inter-ministerial group (IMG) for the telecom sector which is reeling under debt of around Rs 4.5 lakh crore. The panel may also consider the approval of grants for IITs to set up a lab for indigenous development and testing of 5G technologies. Earlier, the Telecom Commission had in-principle approved the extension of time period for the payment of spectrum bought in auctions by telcos to 16 years from the current 10 years, as recommended by the IMG. It had also approved the IMG recommendation to lower the interest rate charged over penalties imposed on service providers with slight modifications.

Govt clears relief package for financially-stressed telecom sector

Based on the recommendations of the Inter Ministerial Group (IMG), the Union Cabinet has given its nod to a relief package for the financially-stressed telecom sector. The government agreed to allow more time to the telecom operators to pay for the spectrum bought in auctions, under the new plan and also relaxed the spectrum holding limit for telecom companies to 35% from 25% at present. These measures are expected to increase the cash flow for telecom operators immediately, providing the operators some relief. Besides, revising the limit for spectrum holding will facilitate consolidation of telecom players and may encourage their participation in future auctions. Last year, the IMG was tasked to suggest policy reforms and strategic interventions for the troubled sector bruised by falling tariffs, eroding profitability and mounting debt in the face of stiff competition from new entrant Reliance Jio. The IMG, in its recommendations submitted last year, had mooted the extension of time period for the payment of spectrum bought in auctions by operators to 16 years from the current 10 years. At present, a portion of

spectrum auction amount is taken as upfront payment by Department of Telecommunications (DoT), and the rest after a two-year moratorium is paid out every year in 10 installments.

Outlook

Outlook of Indian telecom sector is looking optimistic and the sector is expected to witness fast growth in the next few years on the back of government's favourable regulation policies and 4G services hitting the market. The government has fast-tracked reforms in the telecom sector and continues to be proactive in providing room for growth for telecom companies. In this regard, the government will launch New Telecom Policy which will focus on putting in place a flexible, robust data protection regime powered by a strong encryption policy by 2019. It will also look at establishing a policy framework for facilitating setting up of data centres by 2019. Moreover, the sector will also get some relief with Cabinet cleared relief package for telecom sector under which telecom companies will get more time to pay for the spectrum they buy and increasing the holding limit of radiowaves. Government's plan to allow 100% FDI in Telecom services under automatic route too will lend some support to the sector.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Bharti Infratel Ltd.	341.65	63191.87	87.07	4.68	13.43	25.44
Bharti Airtel Ltd.	400.15	159955.97	174.87	0.25	3.48	115.12
Hathway Cable & Datacom Ltd.	34.00	2823.68	10.78	0.00	-2.32	0.00
Idea Cellular Ltd.	77.05	33586.78	64.66	0.00	-8.11	0.00
Tata Communications Ltd.	635.60	18114.60	22.18	0.94	-16.47	0.00
Reliance Communications Ltd.	23.15	6402.21	88.47	0.00	-18.18	0.00
Mahanagar Telephone Nigam Ltd.	19.35	1219.05	-53.55	0.00	-46.60	0.00
GTL Ltd.	10.84	170.51	-379.44	0.00	-63.18	0.00

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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