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## **India's telecoms operators are hoping to ring in the good times this year**

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India's telecoms operators are hoping to ring in the good times this year, as the sector is poised to take off running after clearing the hurdles of a multibillion-dollar auction scandal and fierce price wars that eroded profits.

**Rising call tariffs and the growth of data usage — with more and more Indians buying smartphones — are expected to boost operators' revenues.**

“We are optimistic about 2014,” says Debasis Chatterji, the chief executive of Netxcell, a telecoms technology solutions company that works with major operators in India. “There is a trend to enhance the basic telephony rate and that will add to profitability. There will be investment to enhance the infrastructure.”

India has the second largest number of mobile phone users in the world after China.

**“Indian telecom has experienced unprecedented growth over the past decade, driven largely by the wireless segment,”** according to the Federation of Indian Chambers of Commerce and Industry. **“As of September 2013, 97 per cent of all subscribers are wireless compared to 14 per cent in 2002.”**

But stiff competition between the multitude of operators has creating a tough business environment for companies — to the benefit of the consumer.

**“The tariffs in India are much lower for telecom services when compared to other nations,”** with an **average monthly revenue per user at just more than 100 rupees** (Dh5.94), says Mr Chatterji.

**“The tariff war between operators and the increasing adaptation towards mobile number portability, which allows the user to use the same number while changing the operator, has made the market extremely competitive and the industry on the large is losing out on revenues. Hence, we are likely to witness some increase in tariffs to overcome this**

**challenge. Hopefully government policies post-election will support the industry in this direction.”**

The growth of mobile internet usage and improving technology is having a significant effect on the telecoms landscape.

“We feel that 4G is set to revolutionise the Indian telecom scenario,” Mr Chatterji says. “The inclusion of fibre optic connectivity will tremendously increase the reach and bandwidth. 3G will also gain substantial momentum, while 2G will continue to be the most preferred. The quality of services is set to improve with companies taking a step forward to invest in infrastructure.”

Crisil, a ratings and research firm, predicts that operating profits for India’s large telecoms companies will increase by 20 per cent during the next two years.

**“That’s twice the operating-profit compound annual growth rate of about 10 per cent seen in the last five years,” the company says. “Half of this increase will be due to tariff increases, whereas the other half will be contributed by increased data and value added services. While pricing power started returning a few months back, we are now seeing tailwinds from the regulatory side, too, because signs of policy clarity are emerging.”**

Data services are expected to account for a significantly larger portion of operators’ revenues.

Large telecoms operators have reported data usage more than doubling in the first half of the current fiscal period over last year, according to Crisil, which predicted that data and value-added services could soon contribute as much as 20 per cent of revenues.

“The trend is expected to continue following a near doubling of smartphone sales over the last fiscal [year] and higher 3G penetration following a reduction in 3G prices,” the company says.

For the large telecoms companies that it rates, Crisil reports that the average per minute rates stabilised in the financial year between 2012 and 2013, while it improved by about 5 per cent in the first half of the current financial year as some tariffs were increased. Sudip Sural, Crisil’s senior director, estimates that there is still a gap of 50 per cent between advertised tariffs and the amount actually collected after discounts by operators.

“With competitive intensity easing, telcos are in a better position to reduce the discounts and crunch the gap,” he says.

**In an auction held last month, operators spent nearly US\$10 billion, with the biggest operators, Vodafone and Bharti Airtel, snapping up about \$3bn worth of airwaves each.**

The spending reflected the expectations of growth of the mobile data market and the competition between operators, and the auction was deemed a major success after the past two, held last year and in 2012, received a muted response from bidders.

Such auctions have generated a lot of focus following a significant corruption case that resulted in the cancellation of 122 telecom licences in 2012. Dubbed the 2G Scam, it prompted Etisalat and other telecoms operators to leave the Indian market.

The licences were said to have been sold below their market value by the telecoms minister at the time, A Raja, who was later sentenced to prison. Etisalat, which was not accused of any wrongdoing, became involved in the case because it bought into Swan Telecom, which had already acquired the 2G licence.

Analysts predict that there is likely to be telecoms consolidation this year, a trend that has already begun.

Bharti Airtel, in which the Qatar Foundation Endowment last year bought a 5 per cent stake for \$1.26bn, last month announced that it had agreed to acquire the subscribers and some of the assets of Loop Mobile, which operates only in Mumbai, in a 7bn rupee deal.

“In 2014 we see the prospect of some operators buying stakes in other players across numerous circles,” according to analysts at PricewaterhouseCoopers. “This industry has an appetite for three to five national players, and a small number of regional players.”

Fitch Ratings also foresees a narrowing field.

“The recent Indian telecom spectrum auction will hasten industry consolidation, strengthen tariffs and reduce regulatory risks,” Fitch says. “Industry operators will come down to six or seven from 12 as the bottom-six telcos look to exit — lacking sufficient spectrum and financial muscle to remain viable. Consolidation will improve operating profitability and cash flow, and return pricing power to the larger operators in the medium term.”

But further infrastructure improvements and more regulatory clarity are still needed in India, according to experts.

“Infrastructure has been one of the major challenges for the telecom sector at the moment,” says Mr Chatterji. “Telecom operators investing in back end infrastructure are doing so at a great risk as these are capital intensive components. Though we are banking a lot on 3G/4G but in India we need a proper 3G/4G ecosystem for the technology to penetrate deeper and become more affordable for the average Indian subscriber in tier 2 and 3 cities.”

The general election in India, which is expected by May, could be key for the sector, he adds.

**“The telecom industry has great hopes on 2014 that a stable government will take a new look at the national telecom policy after the elections.”**

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**Good move by BSNL Bangalore - new Unlimited Broadband Plans- Rs.890-4 Mbps speed till 15 GB.**

BSNL has introduced four new broadband plans in Bangalore with download speeds ranging from 1 Mbps to 4 Mbps. Unlimited Broadband Plans with rental of Rs 540, Rs 640, Rs 790 and Rs 890 will be available for customers from 1st March'14. BB Home ULD 540 CS23 plan offers 1 Mbps download speed up to 4 GB and 256 kbps thereafter while BB Home Combo ULD 640 CS24 plan provides 2 Mbps speed upto 6 GB and 512 kbps thereafter. Broadband Plan BBG Combo ULD 790 CS25 comes with 2 Mbps speed till 12GB and 512 kbps thereafter and **BBG Combo ULD 890 CS26 plan has**

**4 Mbps speed till 15 GB and 512 kbps** thereafter. All these plans come with advance rental options for one year , two years and three years that offer additional discounts in the form of rental waiver for some duration.

Particulars	BB Home ULD 540 CS23	BB Home Combo ULD 640 CS24	BBG Combo ULD 790 CS25	BBG Combo ULD 890 CS26
Bandwidth (Download Speed)	1 Mbps upto 4GB, 256kbps beyond	2 Mbps upto 6GB, 512kbps beyond	2 Mbps upto 12GB, 512kbps beyond	4 Mbps upto 15GB, 512kbps beyond
Applicability	Home Users in <i>Bangalore TD of KTK circle only</i>	Home Users in <i>Bangalore TD of KTK circle only</i>	All Users in <i>Bangalore TD of KTK circle only</i>	All Users in <i>Bangalore TD of KTK circle only</i>
Monthly Charges (Rs)	540	640	790	890
Annual Payment Option (Rs.) [11 x FMC]	5940	7040	8690	9790
Two Years Payment Option (Rs.) [21 x FMC]	11340	13440	16590	18690
Three Years Payment Option (Rs.) [30 x FMC]	16200	19200	23700	26700
Download/Upload Limit (MB/GB) per month	Unlimited	Unlimited	Unlimited	Unlimited

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