

Telecom Sector

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For April 2003, GSM cellular subscribers grew 5.1% to 13.335mn.

Bharti Tele-Ventures (BTVL) added 150,000 subscribers, growing at 4.90%. BTVL's share of net additions was better at 23%, the highest since November 2002. Though BTVL's subscriber growth has been slower than the market, the figures are an improvement over what the company has been adding since December 2002. Between December-March, the company averaged just over 100,000 subscribers. We believe a 50% pick-up in April augurs well for the company with the month of May ushering in the IUC regime. Going ahead, we expect minimum 2,00,000 net additions per month beginning May when incoming calls become free (*refer Exhibit 1*).

BSNL added 403,464 subscribers in April, which comprised 62% of the net additions during the month. However, growth over the previous month slowed to 17%. BSNL currently has 2.73mn subscribers compared to BTVL's 3.22mn.

Exhibit 1: Share of net additions over last 7 months (in nos & percentage)

	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03
Total Net Adds	445,729	753,432	749,887	682,711	592,906	931,590	647,516
BTVL	218,304	142,937	120,119	101,189	115,564	80,152	150,390
Hutch	113,581	97,145	58,984	33,321	56,693	69,596	92,072
Idea	35,048	97,069	57,255	15,687	34,712	25,699	-11,839
BPL	18,346	9,219	14,774	20,336	22,458	9,182	11,078
BSNL	1,028	343,738	440,445	489,996	317,495	710,441	403,464
	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03
BTVL	49.0	19.0	16.0	14.8	19.5	8.6	23.2
Hutch	25.5	12.9	7.9	4.9	9.6	7.5	14.2
Idea	7.9	12.9	7.6	2.3	5.9	2.8	-1.8
BPL	4.1	1.2	2.0	3.0	3.8	1.0	1.7
BSNL	0.2	45.6	58.7	71.8	53.5	76.3	62.3

Source: COAI and Karvy Estimates

We continue to be positive on BTVL. The latest subscriber addition numbers show that only BTVL (and Hutch) have the ability to either maintain market share or grow even as competition from BSNL and CDMA-WLL intensifies.

We also believe that unlike BTVL, all the subscriber growth that is happening for the new GSM operators and CDMA-WLL operators is not entirely profitable. Clearly, there seems to be a high element of predatory pricing being adopted by the new players just to wean away (existing/new) subscribers to their network. Only BTVL with a well-funded balance sheet, lean cost structure and an integrated business model is in a position to counter such threat and record profitable growth.

Buy BTVL.

Stock Ratings Absolute Returns

Buy	:	> 25%
Out Performer	:	16 - 25%
Market Performer	:	0 - 15%
Under Performer	:	< 0%

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