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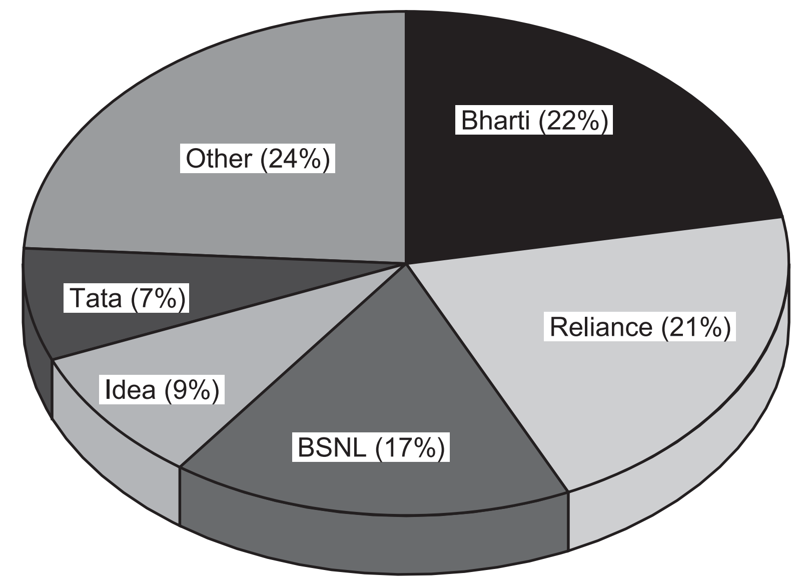

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POLICY & REGULATION

WiMAX to solve rural Internet connectivity problems

The DoT Telecommunication Engineering Centre's senior deputy director general, P.N. Padukone, said that WiMAX could solve the prevailing connectivity issues that do not allow Internet connectivity in rural areas of India.

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WiMAX can deflect the rising spectrum demand. WiMAX ensures continuous connectivity, multimedia and voice services, high-speed data, affordability, and mobility.

Rural connectivity can be assured at all times when electricity is available, PCs are provided, content is developed using local languages, and people are trained to use PCs. The recent report “WiMAX — A Market Update (2006-2007)” by RNCOS states that India’s telecom industry is at its peak, and the middle class is also growing. Hence, demand for WiMAX and wireless broadband is slated to rise. WiMAX subscribers in India are expected to reach about 12 million in 2012.

FDI investment commitment in Indian telecom touches a new high

The FDI investments in the Indian telecom and IT sectors together have reached $17.67 billion over the past 20 months. This will cover both manufacturing and R&D activities. This rise is largely due to companies like Cisco, Ericsson, Nokia, Microsoft, and Intel, which plan to increase their expansion in the country. According to the Ministry of Communications and IT, out of the total of 28 companies planning for expansion, 17 have already put in their capital. This includes companies like Elcoteq, LG, Ericsson, Nokia, EMC, Alcatel, and Xenitis. Among these, six have invested over $1 billion each in India, which includes $1.1 billion and $1.25 billion of Cisco and Intel, respectively, $3 billion of SemIndia’s proposed investments, Microsoft’s $1.7 billion, and $6 billion and $1 billion of IBM and SAP Lab, respectively. While Cisco’s investment is at present being implemented, SemIndia’s proposal has yet to start.

Intel’s investment includes $800 million for business expansion for the next five years and $250 million towards Intel Capital Fund. Microsoft’s investment will be towards R&D, governance, education, and productivity for the next four years. IBM plans include software expansion, funding the new service delivery centers in Bangalore, services and customer support, and also a telecom research facility based in New Delhi. SAP Labs India has invested its funds in R&D for developing software and software solutions.

DoT imposes strict license norms for ISPs

The department of telecommunications is likely to impose strict license conditions on Internet service providers (ISPs). As a result, companies involved in illegal operations will not be permitted to operate in new circles. Also companies will need to start services soon after receiving the license.

Presently a company gets two years’ time to start. ISPs can surrender their licenses by paying 5 percent of the bank guarantee, which will vary from $6,632 to $442,139, depending on the operational area.

According to senior DoT officials, the new norms are aimed at routing reduction of international telephone calls by ISPs. According to the ISPs, the new norms will prevent new companies from starting operations. Rajesh Chharia, president of the Internet Service Providers’ Association of India, said that because of inconsistency in license regulations, more than 250 operators haven’t started operations despite license receipt and that new operators are not keen to apply.

According to the government, the market has grown, with more than 400 ISPs license-holders in the country based on the earlier incentives given to promote Internet services. The Internet market is growing at nearly 180 percent year-on-year and currently has about 8 million subscribers. According to the DoT, companies can get Internet telephone service licenses with payment of additional bank guarantees. Currently, Yahoo, MSN, Net2Phone, Skype, and DialPad offer voice calls over the Internet in India. The department also proposes to receive 6 percent of adjusted gross revenue (AGR) from ISP providers. Independent

ISPs pay 12.5 percent service tax and 6 percent of their AGR to the government.

Poor service quality by Indian providers irks TRAI

Nripendra Misra, chairman of the Telecom Regulatory Authority of India (TRAI), informed DNA Money that according to their quarterly reports, telecom services have failed to deliver according to expectations. However, immediate penalty cannot be imposed since large investments have been made in this sector and responsible entrepreneurs usually run these companies.

Pressure from subscribers demands service quality. According to Misra, TRAI could start grading the service to bring systematic changes. Finally, if nothing else works, TRAI may approach DoT for taking corrective action. Misra was not very keen to approach DoT for corrective action, saying that the move will have a negative impact on TRAI's performance.

DoT rejected TRAI's recommendation to form an ombudsman's office to address consumer grievances related to the quality of telecom services. Dayanidhi Maran, communications minister, announced an industry initiative to set up an ombudsman's office, which hasn't started as yet. But according to Misra, other than this, the problem revisit will lead to the solution.

The subscriber should be considered as the core, and TRAI should realign its work focusing on core areas in both the broadcasting and telecom sectors. Success will not be achieved without proper service to the consumers.

TRAI submits on its rights to charge differential CAS rates for non-commercial and commercial subscribers

The TRAI has submitted to the Supreme Court that it was exercising its legal rights in fixing different tariffs for personal users and commercial users of CAS. The Association of Hotels and Restaurants had filed a petition in the Supreme Court, challenging the order of TDSAT (Telecom Disputes Settlement and Appellate Tribunal) through which dual rates were ruled to be valid. TRAI was responding to this petition through its submission to the Court. TRAI quoted the TRAI Act 1997 (Section 11), which grants it this authority.

3G spectrum availability to be enhanced; concerned bill would be passed in the current session

The Indian minister of state for telecommunication, Shakeel Ahmed, said that cellular operators would get financial assistance from the USO fund to enhance the 3G spectrum availability and extend the mobile base to rural regions to add mobile connections. The concerned bill would be passed at the current parliament session.

He further continued that the government was targeting 250 million phones during 2007. To gear up investments at the telecom sector, 100 percent FDI is allowed for telecom production, while the FDI limits for telecom services have gone up from 49 percent to 74 percent. Broadband services commenced during January 2005 at 200 townships. Presently, 300 townships are covered with over 1.5 million connections. The broadband tariffs have also been trimmed.

TRAI releases consultation paper on NIXI linkages

TRAI released a consultation paper titled "Improvement in the Effectiveness of National Internet Exchange of India (NIXI)" on November 1. The paper seeks to address concerns that just 27 out of the estimated 130 ISPs are linked to the NIXI.

TRAI is concerned about infrastructure not being put to optimal use, considering that a sizeable amount of domestic traffic is still not routed through NIXI. TRAI has asked for comments within two weeks on various matters, including making NIXI linkage mandatory. Interconnection of NIXI in the four metros is also being addressed.

TRAI has also asked for opinions on setting up NIXI nodes at the capital cities of all states so as to enable small ISPs to link up economically.

Maran dispels national security fears following 74 percent FDI in telecom

The Department of Telecommunications (DoT) has warned against excessive reactions regarding security following its preparation of a new cabinet note on issues related to security in connection with an increased FDI from 49 percent to 74 percent. Dayanidhi Maran, minister of communications and IT, reacted to questions regarding national security concerns in the face of increasing FDI inflows and stated that national security cannot be compromised with. He added that there should be no overreaction over national security.

Currently, with lack of consensus among ministries like DoT, defense, home, and finance, companies are facing extension of security-related norms, resulting in the rise of the FDI level to more than 49 percent. Telecom has recently been classified among the sensitive sectors by the National Security Council Secretariat (NSCS). NSCS is also critical of Orascom's presence in Hutchison-Essar. Maran stated that DoT would make efforts to decide on issues of implementing guidelines that allow up to 74 percent FDI in the telecom sector, within the scheduled time laid down by the Cabinet.

NSCS considers the Orascom Telecom case as a sectoral threat despite DoT's stance to deal separately with security and FDI. An NSCS paper stated that Orascom's presence in India is not in the interests of national security and they may access ITC assets, boosting intelligence to adversaries. NSCS also revealed Orascom's relations with Yasser Arafat's organization with its Pakistan and Bangladesh connections.

DoT orders action against local authorities for jamming cellular networks

DoT ordered the chief secretaries of UP and Haryana to take action against local authorities in their states who had instructed the mobile-phone companies to suspend operations during recruitment exams and elections. Thus local authorities will not be able jam cellular networks to prevent exam and election malpractices.

DoT communicated to the states that the orders passed by local authorities are outside their authority and it violated many other telecom license conditions laid down by the Centre. According to DoT, operators cannot suspend services against such orders, as their license conditions demand service quality and continuity of service. The DoT stated that only the ministry of communication and the home ministry had the authority to suspend cellular services, under extraordinary circumstances or under the circumstances when there was threat to national security from the same.

DoT might implement recommendations from TRAI; carriers left unsatisfied

Defense forces are delaying the release of spectrum and sources have indicated that DoT would follow the recommendations from TRAI and auction the 3G spectrum on reserved base price basis. Considering the current scenario and the roaring response to 2G services, TRAI's recommendations for 3G operations might be considered. However, the said proposals are also considered as the return of a similar policy where contracts were allotted to the highest bidders. Naturally, carriers are not happy with these recommendations. The Expert Panel would publish its conclusions on the pricing and allocation of 3G spectrum by December.

TRAI has recommended a base price of $17.82 million for Mumbai and Delhi and $8.91 million for Kolkata and Chennai. Other C category cities would have a base price of $3.34

million. Sources said that TRAI's recommendations would be surely implemented but the pricing has to be worked out again because the DoT would get revenue of about $311.8 million from the base price itself. During the first round, one of the five slots of 5MHz each would be reserved for PSUs like MTNL or BSNL. Private operators would have to bid for the remaining four slots. The communications ministry has also approved TRAI's proposals, and 3G services are slated for H2 2007.

TRAI in discussion with DoT over ILD calls not displaying CLI

TRAI is discussing with DoT the issue of international long-distance (ILD) calls where the caller line identification (CLI) is not displayed. TRAI believes that banning such calls would cause the Access Deficit Charge (ADC) to reduce. According to TRAI, banning all ILD calls having no CLI would trigger several concerns like non-completion of substantial incoming calls and its adverse effects on ADC.

The officials at TRAI said that a technical shortcoming at several global operators makes it impossible to send the CLI along with the call. To avoid such a call being treated as illegal, an international carrier partner code could be displayed instead of banning the call right away. The matter has already been discussed earlier during a meeting involving the DoT, telecom operators, and the DCP for Detection at Mumbai Crime Branch.

WIRELESS

Batelco subscribers to get international roaming in India with BSNL's GSM service

Batelco has finalized a bilateral commercial international roaming agreement with India's BSNL so that Batelco's subscribers would have roaming coverage all over India. They would be connected to BSNL's GSM 900 service as soon as they arrive in India. The service comes under Batelco's initiative to provide its customers with global roaming services. It went live in India on October 16, 2006. Batelco currently has such agreements with 303 global operators under the same initiative. Batelco is Bahrain's leading telecommunications company.

Reliance to set up B2C mobile platform for Indian petroleum companies

Reliance Communications is planning to establish a business-to-consumer (B2C) mobile platform in India for Indian petroleum companies. The service would allow these companies to serve their customers through mobiles. The proposed mobile-zone for oil companies would allow them to deal with domestic gas bookings, sales, complaints, and queries over mobiles.

The Anil Dhirubhai Ambani group (ADAG) is reportedly in discussions with Hindustan Petroleum, Bharat Petroleum, and Indian Oil, and the agreement would be signed at the earliest. Reliance wants to establish an interactive zone over R-World and offer several LPG services. The company's cellular operators would be easily accessible with these services.

Initially, the services would be available to Reliance subscribers. Users would have to log on to R-World. Even though R-World would act as an interface between gas-companies and customers, the orders would be fulfilled by routing them through the existing networks used by these companies. As per the estimates, Reliance has a subscriber base of 26 million, while the petroleum companies are serving 80 million customers.

Reliance has already established a B2C initiative for India Post and railway bookings.

BSNL-ZTE JV for production of wireless terminals (FWTs) and CDMA mobiles faces a setback

BSNL's 50:50 joint venture with ZTE Corporation of China to make fixed wireless terminals (FWTs) and CDMA mobiles appears to face a setback. Besides a joint venture, ZTE was also to sign a CDMA technology transfer agreement with BSNL. Initially, ZTE Corporation was to invest in plant and machinery at BSNL's Alipore telecom factory in Kolkata to produce CDMA equipment.

After fixing the annual production targets by BSNL, the decision about joint branding of phones was to be made. Both companies were looking at a phased rollout of million units of each variety of fixed-line access terminals and mobile handsets. BSNL planned its 150-member team at the Alipore unit for the execution.

According to senior officials at BSNL, the company's telecom expansion plan would be mainly GSM driven in the future, so the joint venture is not a priority. BSNL is on the verge of starting off a $4.7-billion expansion of the CellOne network, including additional 62 million lines across all telecom circles.

Though BSNL participated with ZTE for DoT, the home ministry and mainly the national security agencies have not supported the idea of BSNL's partnership with a Chinese company. ZTE failed to qualify for one of the biggest GSM equipment tenders, so BSNL's technical evaluation committee dismissed its bid. BSNL board is said to be reevaluating the CDMA expansion strategy, as the local manufacturing of CDMA phones with a ZTE partnership might not be economically practical in the long run.

Nokia makes record sales in a single day in India

On October 19, Nokia sold more than 4lakh phones across India, the maximum it has sold anywhere in the world. Their previous record has been 1lakh. At present, Nokia has 38 models on shelf, of which 13-25 come under the low-end segment, priced at $4-8, this price point being the sub-$44 category. 70 percent of models were sold in this segment. Nokia points out that rural and semi-urban India, a no-frills belt, makes up 30 percent of the demand. A top Nokia official says everyone is targeting the lower end of the voluminous Indian market.

Reliance, Bharti, Aircel, Spice discuss cell-site sharing; OpEx and CapEx to decline

Spice Telecom, Reliance Communications, Aircel, and Bharti Airtel are discussing sharing their cell sites in the future. Hutch-Essar, Reliance, and Idea Cellular already have such agreements. Presently, all Indian operators have about 35,000 sites throughout the nation and would increase to 100,000 by 2010. Amid all the operators planning for a pan-India rollout, cell site sharing would allow rolling out networks at a faster pace and also trim down CapEx and OpEx.

Reliance, which would be rolling out GSM services in 21 circles, will gain major benefits. Meanwhile, Idea has secured a Mumbai license and is planning for expansion. Bharti is also planning to expand in 5,200 census Indian cities. All these expansions would gain pace once cell site sharing comes into practice. Besides, carriers could make more revenues by charging rentals for cell site sharing.

Euroset to enter India mobile retail market shortly; 5,500 outlets expected by 2008

Russian mobile retailer Euroset is planning to step into the Indian market and establish a retail chain of about 5,500 outlets throughout India within two years.

Euroset is well known for quoting the lowest prices and presently has 4,442 mobile outlets in Russia, Ukraine, Belarus, Kyrgyzstan, and Kazakhstan. Besides handsets, Euroset also deals with MP3 players, CDs, and digital cameras. During the first three quarters, Euroset recorded sales worth $3.1 billion. Euroset has plans to enter emerging markets like India, Pakistan, Turkey, Romania, Cyprus, and Hungary.

Euroset is hunting for an Indian partner and is already in discussions with Ansal API. The Head for Ansal Plaza Mall Management

Co., Abhijit Das, confirmed the concerned discussions.

The Indian mobile retail market is presently valued at $750 billion and is growing annually by 20 percent. Univercell, MobileNxt Teleservices, Essar, Spice Telecom, RPG, and ConvergeM are also attempting expansions in the mobile retail market.

District authorities ask cellular operators to suspend services during elections; enraged operators demand clarifications

Under the initiative to control rumors during elections, district authorities have asked cellular carriers to terminate their services during elections. The companies are naturally not happy with such practices. The director-general for COAI, TV Ramachandran, accused the state authorities for being unable to make out the impact of such orders on ordinary citizens. Another operator criticized the orders by saying that state authorities are expecting cellular companies to do the job of controlling rigging and cheating. Reportedly, some operators have also demanded clarifications on whether state authorities are allowed to impose such orders that would affect a large public. They are also asking for specifications about who would claim the responsibility for losses of the general public. Operators have decided to oppose any such practices, as other states would also follow similar practices in future.

Reliance to offload cell towers to new subsidiary

Reliance Communications is planning to offload its cell transmission towers to a new subsidiary, which will subsequently sell a major share to American Towers Inc. Reliance plans to add 10,000 cell sites to its existing 15,000 for CDMA and GSM services over the next 12 to 14 months. American Towers will be expected to use its domain experience at its 30,000 sites in Brazil, Mexico, and the US to extend use of the towers to other cell operators. Sources expected the new subsidiary to incur a capital outlay of $195 million. With location premiums and variable costs factored in, an internal estimate has arrived at a figure of around $4.46 billion.

Nokia sets up development center to expand R&D facility in Bangalore

Nokia announced that it has set up a development center at the Prestige Tech Park, Bangalore, India, over an area of 210,000 square feet. This will be an expansion of its R&D center at Bangalore, which is devoted to development of upmarket mobile device, chipset, and software platform development. The company's statement said that the center would provide an opportunity to Indian R&D engineers to develop telecommunication technologies. It said that the facility has for five years been at the center of development activity of new applications and product development software platforms.

Launch of commercial 3G services delayed to early 2008

The launch of commercial 3G services is delayed once more due to the defense ministry requiring an extra 390 days to leave the 45MHz spectrum that it occupies at present. Instead of H2 2007, the services will now start in early 2008. 25MHz will be given to at most five operators, and the rest will be utilized for 2G services. The main reason for this was BSNL's and MTNL's failure to finish the fiber-optic backbone for the armed forces as per the plan. The installation and supply of equipment in the air force locations was to be done by September 30, cabling at 60 air force access site was to finish by August 2006, with final completion of cabling by October 15, finalization and awarding of tender for equipment by August 20, other sites by November 30, and conclusion of the project by December 2006, according to government sources. Apart from that, by January 2007, ITI was to deliver encryptor prototypes in three phases for the project, making it possible for the defense to leave the spectrum in the decided time period.

Brand Aircel gears up for national rollout plan of GSM services

Aircel, a part of Malaysia's Maxis, is setting up for the national rollout plan of its GSM service. It is also starting a research program for finding market dynamics, which will help to know the market reaction to the Aircel brand. The company will also promote Maxis as the brand for its pan-Indian presence. According to the CEO of the company, Jagdish Kini, the company has licenses for seven circles: Assam, Orissa, North-East, Jammu & Kashmir, West Bengal, Bihar, and Himachal Pradesh. Services have been started, except in Bihar and HP, where they will begin in December. The company has also applied for licenses for the remaining 14 circles. Aircel has around 3.8 million subscribers in the country among which Chennai and Tamil Nadu alone have 3.0 million subscribers.

HC restrains BSNL from giving GSM bids until next hearing

Delhi High Court has restrained BSNL from giving any GSM contracts for network expansion until the next hearing on November 16. Division bench of acting Chief Justice Vijender Jain and Justice Kailash Gambhir were hearing this petition, which is filed by Motorola. In September, BSNL called for financial bids to expand its GSM network. The company plans to add more than 45 million lines in three years, worth $446.23 million. Ericsson had the lowest bid, with Nokia following suit. If both these bidders are selected, then Ericsson will get 60 percent of contract and Nokia will get 40 percent. Sources reported that Nokia quoted its bid at $177 per line and Ericsson at $107 per line.

Motorola has expertise in the BSS component but has never shown experience in the NSS component. The BSS component enables control and transmission functions required for radio coverage of service area, towards supplies, commissioning, and installation of 20 million networks. On the other hand, the NSS component helps in connecting calls between caller and called subscriber for 20 million lines. The basic NSS eligibility condition is to supply/commission 20 million GSM lines, but figures provided by Motorola of 3.2 million do not meet the minimum requirement. Motorola stated that it failed to match financial parameters, also, as it has been in loss worth $8.3 million since two years $825.52 million.

Spice Ltd. to introduce a set of exclusive bundled handset product offers in Karnataka and Punjab

Spice Ltd. of the BK Modi Group plans to introduce a set of exclusive bundled handset product offers for the 2 million Karnataka- and Punjab-based Spice Communications GSM subscribers. Kunal Ahooja, the Spice Ltd. CEO, said that similar agreements were proposed with other telecom operators. Spice expects to corner 10 percent of the national handset market share by 2010. The primary target is to produce about 0.5 million handsets in India per year. Currently, GSM handsets are sourced through OEMs like Konka Ltd. from China and ASUS Tek and Wistron Nee Web Corp. from Taiwan and are marketed with the Spice brand name. Future plans include a countrywide network of 1,000 "Hotspot" retail stores, which will stock up both entry-level to high-end cell phones and PDAs.

Qualcomm's Brew Applications Funding Program: Three Indian companies qualify for the finals

CDMA expert Qualcomm intends to enhance the global availability of wireless applications. Under the said initiative, communities having no access to 3G technologies will be aided with funds for communications. The funds are to be utilized for social and economic development, education, public safety, healthcare, and governance.

Under the initiative, five companies furnishing the most innovative proposals would be granted accumulated grants worth $500,000 under the Qualcomm Brew Applications Funding Program. 21 developers working for 19 organizations belonging to 6 nations have qualified for the final evaluation, of which three are Indian companies. They are Agrocom Technologies with IIT Bombay, ZMQ Software Systems, Astute Systems Technology, and TCS. The finalists have to furnish a detailed proposal by December 31, 2006. Qualcomm will announce the five individual recipients of the grants by mid-February 2007.

GIL to enter telecom infrastructure sharing market; investment of $454.20 million in the initial phase

GTL Infrastructure has decided to enter the market for sharing telecom infrastructure by installing base transceiver stations (BTS) for Indian mobile operators. The company has allotted investments worth $454.20 million in the first stage, involving establishment of 6,700 BTS. The next phase would see installation of 10,000 BTS.

The CMD for GIL, Manoj Tirodkar, said that 14 international banks and financial organizations including IDFC would assist GIL in the venture. Public loans would further raise $38.04 million. The first phase would be completed within 12 to 18 months. The second phase would be taken up depending on the success of the first one. However, the CMD denied furnishing the financial details of the second phase.

The proposed cell sites would not only support CDMA and GSM but also 3G and WiMAX.

GTL will have a 41 percent stake in GIL, IDFC will have 5 percent, and Technology Infrastructure will have 25 percent. The remaining 28 percent will be shared by the public.

Mobile operators prepare for MVS service-live telecast over mobile handsets

Mobile Video Streaming (MVS) is soon expected in India as Reliance Communications (RCL) and Hutchison Essar are planning to launch MVS services very shortly. MVS service allows the user to catch any event live instead of downloading it over the mobile and then watching.

RCL would host the keynote address of Microsoft CEO Steve Ballmer during an event in Mumbai on November 9, 2006. Other operators could also host the event live by collaborating with TV channels and the event organizers. However, MVS-compatible handsets would be required to access the telecast. Meanwhile, Idea Cellular and Bharti Airtel are also planning to enter the market for MVS. Analysts are estimating the Indian MVS market annually at $55.79 million to $66.95 million. The global market for MVS would reach $4.8 billion by 2008.

INTERNET

VSNL, Saudi Telecom, and Etisalat sign an MoU for submarine cable system

India's VSNL and global operators Saudi Telecom and Etisalat have signed an MoU to construct a submarine cable system, I-ME-WE, connecting India, the Middle East, and Western Europe. Other participants are Telecom Italia Sparkle and Telecom Egypt. I-ME-WE would establish high-speed connectivity between Asia, the Middle East, Western Europe, East Africa, and North Africa, covering France, Italy, Egypt, Saudi Arabia, UAE, and India. It would also address regional bandwidth requirements.

Dense Wavelength Division Multiplexing (DWDM) technology would be employed for the I-ME-WE cable system, and the proposed data transfer speed is 2.56Tbps. The cable system would commence by mid-2008. The financial details were not made public.

VSNL signs MoU for laying marine cable to link West Europe, Middle East, and India

Tata-owned VSNL signed a Memorandum of Understanding (MoU) with chief global telecom companies to link Western Europe, the Middle East, and India with a submarine cable. International telecom service providers VSNL, Telecom Italia Sparkle, Telecom Egypt, Saudi Telecom, and Etisalat have signed this MoU. The cable will connect France, Italy, Egypt, Saudi Arabia, UAE, and India.

By late 2006, contracts will be given to begin operating from mid-2008. With this contract, connecting to Western European, North and East African, Middle Eastern, and Asian regions will become faster, which will also match the growing demand. The cable network will be built with dense wavelength division multiplexing technology, which is a design having capacity of 2.56 Terabits per second.

FINANCIALS

VSNL's fiscal Q2 net profits surge by 18 percent to $23.82 million

VSNL managed to increase its net profits during the fiscal Q2 over the year by 18 percent from $20.25 million to $23.82 million. Total income increased over the year by 5 percent, from $213.88 million to $223.74 million. Operating profits surged over the year by 4 percent, from $42.30 million to $44.09 million. The net profit for fiscal H1 was recorded at $43.41 million, while the revenues surged over the year from $420.78 million to $436.44 million.

In spite of the price cuts introduced during the considered quarter, the revenues from enterprise and carrier data business surged by 25 percent on a quarterly basis. The tariffs for IPLC and ILL connections were also slashed respectively by 25 percent and 40 percent during the quarter.

Bharti expected to report 63 percent rise to $186.9 million in Q2 ending September 2006

Bharti Airtel Ltd. is likely to report an increase in its quarterly profit on October 27, 2006, following very low rates and expanding network, which acquired its 131 millionth GSM and CDMA users. The company is likely to declare a 63 percent growth in consolidated profit to $186.9 million for the fiscal Q2 ending September 2006, according to predictions by six analysts.

Vinod Bansal, director, Venimadhav Securities, stated that growth in the mobile services sector has exceeded estimates, prompted by growing competition leading to cheaper handsets and customer attraction schemes. Currently, more than 6 million new mobile connections are added monthly in India. Further growth is anticipated as networks expand into rural areas that are communication starved and inhabited by two-thirds of India's 1.1 billion people.

Bharti is expected to increase earnings in the future quarters. Despite rapid growth in the sector, only 12 percent of India's population owns a mobile. The company added 3.99 million GSM users in Q2, in comparison to 3.5 million in April-June 2006. Bharti stated that its mobile user base went up 92.3 percent through September 2006, reaching 27.06 million, partly due to the lowest local mobile call rates in the world. Bharti's total customers increased 81.9 percent to 28.57 million. The figures include fixed-line users.

Reliance Communications records net profit worth $7 billion in Q3 2006

Reliance Communications recorded net profits worth $7.0234 billion during Q3 2006 on a consolidated basis, thereby turning over Q3 2005's losses worth $190 million. On a standalone basis, the company generated incomes worth $28.38 billion and net profits worth $4.96 billion. The revenues grew over the year by 39.80 percent from $25.22 billion to $35.25 billion.

EBITDA increased over the year by a massive of 216 percent, from $4.27 billion to 13.53 billion. EBITDA margin increased from 17 percent to 38 percent. The total assets were recorded worth $322.81 billion, while the net debts were reduced to $20.57 billion.

Considering the wireless business, the CapEx soared to $14.99 billion, while revenues increased over the year by 44.7 percent, from $17.78 billion to 25.74 billion. The company had a market share of 20.5 percent in the Indian wireless market, with 26 million wireless subscribers and 8.1 million multimedia subscribers.

Reliance to offer NextGen services in 38 countries through FLAG Telecom

Reliance Communications (RCL) would be clinching contracts for IP-based managed services and outsourcing from around 38 nations. The contracts come under the NextGen Services strategy adopted by Reliance-ADA Group, while RCL's global arm, FLAG Telecom, would launch these services. Even though financial details are not available yet, FLAG Telecom is presently in pre-sales discussions with overseas clients from Africa, the Middle East, the US, and Europe. Commercial launch is slated for January 2007. The leadership at FLAG Telecom is planned to be headed by the CEO Punit Garg. FLAG Telecom has recently expanded its panel and added members from many eminent companies, under the initiative to concentrate on increasing the earnings from global services as well as from outsourcing and IP-based managed services.

The pricing issue appears to be a concern because TRAI calculates the international bandwidth pricing in India, while the same for advanced telecom services are calculated from the market in developed nations. The 10,000km Falcon undersea cable system traversing through 11 nations was recently launched in September, and FLAG managed to sell international bandwidth capacity worth $450 million immediately. RCL has invested $400 million in the Falcon cable.

RCVL sold over 50 percent of Falcon capacity due to surging demand for international bandwidth in West Asia

Reliance Communications Ventures (RCVL) has sold more than 50 percent of the current capacity on Falcon Cable System cable since its launch in September 2006, due to the surging demand for international bandwidth in West Asia. Building cost for this 10,000km undersea cable system was $400 million. The capacity connects India to 11 countries in West Asia and Africa.

According to Reliance Communications, the company can still cope with the increased demand, as Falcon in a short time can be updated exponentially to carry traffic up to 2.56 Gigabits. Company plans to tap the improved potential because of the liberalization process of the present broadband drive and operators in most of the Gulf countries. RCVL's turnover from global business accounted for more than 30 percent of its consolidated revenues of $786 million in the last quarter. Falcon's bandwidth sales over the past two months are mainly accounted for by bulk deals signed between West Asian counties like Oman, Saudi Arabia, Kuwait, and Bahrain and the company.

FLAG Global Network to focus on offering IP-based services to telecom carriers

FLAG Global Network plans to concentrate on providing IP-based services and several other outsourcing services for supporting the fast-growing market of telecom carriers, confirmed a spokesperson for the company. The new services include several video and data capabilities. FLAG Global Network posted $450 million in sales on its network of 650,000km. It claims having sold more than half of its global bandwidth capacity just few weeks following its introduction in September.

BUSINESS

Reliance, Idea, and Hutch sign deal to share cell site infrastructure

Reliance Communications has signed an agreement with Idea Cellular and Hutchison-Essar, both GSM service providers, for sharing passive infrastructure for cell sites. This will enable it to roll out much faster and will give considerable reduction in costs. The deal between Hutch and RCL was signed on October 18, 2006, and the one with Idea Cellular was signed on October 19, 2006. A company spokesman said a model guideline for sharing of infrastructure had been worked out which includes the areas where RCL and Idea and RCL and Hutch can cooperate.

As per this plan, cost-sharing for present and future passive infrastructure has been factored in. Both companies will be able to access cell sites belonging to the other across the nation. Hutch did not make any comment on this issue.

Telekom Malaysia to enter enterprise business in India through partner Spice Communication

Telekom Malaysia is eager to enter managed services and enterprise business through its partner Spice Communication in India. Spice provides mobile services in Punjab and Karnataka circles at present and also has applied to the Department of Telecommunications for an NLD license. The Modi group and TMI will each hold a 40 percent stake, and the remaining 20 percent will be held by the public.

BSNL, Bharti, Reliance Communications, and VSNL are its current rivals. In addition to this, TMI and Spice will compete with Indian majors such as Dishnet Wireless, Sify, and Hutch-Essar and international operators such as Cable & Wireless, AT&T, and BT.

Spice announced a pan-India expansion in the remaining 21 circles before 2009, which was worth around $2.5 billion. It also had plans to enter the markets in December to offload the 20 percent stake to increase from $250-350 million, and also to raise another $350 million in 2008. There were also assumptions that TMI will apply the “call waiting option” clause in the shareholders agreement and raise its stake in Spice Communications.

However, Mr. Yaacob denied this, saying that the clause is simply a mechanism to help TMI to bail out the company from any future problems. He further added that, rather than replicating infrastructure creation across the country, Spice wished to develop in the other circles in India through the mobile virtual network operator route.

Reliance earmarks CapEx worth $1-1.5 billion for the current fiscal

Reliance Communications has allocated CapEx worth $1 billion to $1.5 billion for the ongoing fiscal, to be utilized for expanding the network and managing overall operations, stated the MD and chairman, Anil Ambani. Apart from this, it has also grabbed business deals with Deutsche Bank, Microsoft, Yahoo!, and Google to provide data managed services and bandwidth connectivity from India.

Ambani refused to reveal further details for the CapEx utilization, but most of it would be used for global submarine cable operations, wireless and enterprise business, and IP connectivity. GSM operations at 1800MHz, EVDO at 800MHz, and WCDMA developments would also receive some of the CapEx.

Ambani was confident that by the time telephony penetration attains 50 percent levels during the next couple of years, Reliance would have a subscriber base of 500 million. It current subscriber base is 29 million.

Bharti and Nokia engaged in outsourcing deal worth $400 million

Bharti Airtel and Nokia have agreed over an outsourcing pact worth $400 million, under which Nokia would offer its network management services to Bharti. Nokia would offer its services and extend Bharti's coverage to Mumbai, Maharashtra and Goa, Gujarat, Bihar (with Jharkhand), Orissa, Kolkata, West Bengal, and MP (with Chhattisgarh) circles.

Nokia would deploy the latest radio and core equipment like softswitch, flexi-base stations, and mini-Ultrasite base stations. It would deploy the WAP solution for Bharati's national network and enhance the capabilities. The WAP gateway would also be integrated into a multi-vendor environment. Additionally, Nokia would offer its consulting services. The networks would be monitored from Nokia's Chennai-based global network service center.

Presently, Ericsson manages 70 percent of Bharti's network, while Nokia manages the rest. The president for Bharti Airtel, Manoj Kohli, said that the Nokia pact has assured the company of the latest technology. Bharti executives stated that operations not belonging to the core activities are being outsourced so that Bharti could focus over core operations of cellular services.

Motorola CEO to visit India soon after it loses out in BSNL tender

Ed Zander, chief executive officer of Motorola worldwide, is to visit India in the week beginning October 30, 2006, and is likely to meet Dayanidhi Maran, India's IT and communication minister. This visit comes soon after Motorola lost its bid for the largest contract in the world — valued at over $4,419.69 million — by Bharat Sanchar Nigam Limited (BSNL) to add 45 million GSM lines over the coming three years. Motorola officials said that the CEO will inaugurate the new R&D center in Hyderabad.

The company had approached the Delhi High Court to challenge BSNL's decision to disqualify them on technical grounds. Ericsson was the lowest bidder and Nokia the second lowest. Under the terms and conditions, the lowest bidder will get 60 percent of the contract and the second-lowest will get 40 percent. The minister said that Mr. Zander's visit was in connection to the company's investment in a manufacturing facility in the state of Tamil Nadu. Motorola said it should have been given an opportunity to explain its stand on its disqualification from taking part in the financial bid for the tender by BSNL. BSNL, however, said that Motorola was disqualified because it did not meet some parameters related to security clauses and hence was not called for the meeting where financial bids were opened.

MTNL and Reliance lose race for Kenya license

MTNL and Reliance Communications failed to acquire a license in Kenya, for which they had launched independent bids. Sources say that one Palestinian operator is supposed to have won the deal. Bharti Airtel had dropped out of this race last week. The license is slated for issuance on January 7, 2007. The operator who is issued it will be allowed to offer mobile and fixed-line services across Kenya. This development follows after VSNL acquired 26 percent of InfraCo, a forthcoming telecom operator in South Africa. In addition, VSNL holds the largest stake in NeoTel, who is the second-largest national telecom carrier in South Africa.

Motorola Inc. sets up telecom software development center in Hyderabad

Motorola Inc. set up a telecom software center in Hyderabad. The center is to employ over 1,000 engineers. Motorola has six centers in India for software research and development. The 3,000 software engineers they employ design handset software which makes up a 40 percent share of the software used for Motorola handsets across the world. Edward J. Zander, chairman and CEO of Motorola, said that the

Hyderabad center will concentrate on software engineering, which forms the most significant technology driver in his company's worldwide operations.

IRCTC invites bids from telecom and IT companies to operate Railway call-center; Spanco-BSNL have higher preference

In response to the bid offers floated by the Indian Railway Catering & Tourism Corporation (IRCTC) to operate the Railway call center, three bidding consortiums of IT and telecom companies are competing to grab the deal. IRCTC had asked the bidders to mention the license fee payable to Railways and the subsidy expected from Railways. IRCTC would award the contract to the bidder quoting lowest viable grant and highest license fees. In these regards, the joint venture of Spanco Telesystems and Bharat Sanchar Nigam Ltd. is given the higher preference. Spanco-BSNL has reportedly quoted the highest amount for a 10 year term.

South African government changes Neotel license conditions; a set-back for Tata

The government of South Africa may jeopardize Tata's telecom business by suggesting a change in some license conditions for Neotel and mandating that it should share the infrastructure with other South African telecom companies.

In August, the Tatas bought a 26 percent stake in InfraCo and procured 10,000 kilometer-long telecom fiber networks from Transtel, Transnet, and Eskom so that they would be available for Neotel. However, the changes suggested by the government will open this network to other telecom companies, which may not be beneficial for Tata. Tata's stakes in InfraCo and Neotel come through VSNL, which has already pumped $350 million into Neotel. Tata further intends to pump $850 million into Neotel. The South African government is the largest stakeholder in InfraCo and Telkom and would be the largest beneficiary after the altered license conditions.

AT&T expects its India JV to generate over 40 percent revenue growth in India

AT&T expects its Indian JV firm, AGNS India, to generate revenue growth of more than 40 percent, after it begins operations in January 2007, said senior executives at AT&T. Sanjiv Bhagat, AGNS India's MD and CEO, said that AT&T posted revenue growth of 40 percent in India during January-September 2006, with 350 to 400 subscribers. It became the first overseas telecom carrier with a new telecom license under the government's revised FDI policy that allows 74 percent foreign ownership.

AT&T and VSNL have been jointly operating for more than six years in India. John Finnegan, AT&T's VP of global sales, said that in addition to India, the company plans to expand in Brazil and China, as well.

MTNL slashes monthly rental for One India Plan to $4.02 and call rates to $0.02/min

MTNL has slashed its One India Plan rates for WLL services in Mumbai from $6.67 per month to $4.02 per month. The step was taken to make long-distance calls more affordable to its subscribers. Users can call anywhere in the country and any network at $0.02/min and calls to any local MTNL number will cost $0.02 for three minutes under this scheme. Calls made to the BSNL network within a 50km range are charged $0.02 for three minutes. Customers using other schemes have been given an incentive to change over to the One India Plan free of cost. The scheme is not applicable to other services like local, STD, ISD, and PCO. The plan also does not apply to franchisees, ISDN, PRI, and EPABX services.

Spanco Telesystems clinches ten-year contract with Indian Railways

Spanco Telesystems has clinched a ten-year contract for setting up, operating, and maintaining call centers for the Indian Railways. The project is expected to generate around $8-9 billion during the period of the contract and will be operational by February 2007. The expenditure for technology and other infrastructure for the project is $16.73 million. The company will set up call centers in the eastern, western, northern, and southern regions of India at its own cost for the Indian Railway Catering and Tourism Corporation (IRCTC). Pradeep Kumar Goel, managing director of IRCTC, stated that Spanco would pay $2.5 million as license fee in the first year, and a total of $80 million during the ten-year period of contract. The company would implement the project with its partners, but the call centers would be under the IRCTC. The company has decided to tie up with BSNL for carrying calls to the call centers. Sources revealed that the operational expenditure at these call centers would amount to $300 million a year. 1,500 people will be employed in the first year of operation, and the company is expected to earn 25 percent per call made to the call centers out of more than 2 million calls expected in a day. This may go up to 50 percent for premium enquiries. The business model is viable since it is supported by the strength of the huge number of railway commuters, which currently exceeds 400 million a year.

Hutch and Microsoft tie-up to provide Windows Live services; services slated from January 2007

Hutch and Microsoft have entered a contract under which Hutch subscribers will be able to access Windows Live services throughout India. The service is slated to begin in January 2007. After the commencement, Hutch subscribers can use services like Windows Live Spaces, Windows Live Mail, and Windows Live Messenger. Content providers and advertisers can also join the alliance and extend the services to more and more mobile users.

The MD for Hutchison Essar, Asim Ghosh, said that the tariff will be charged as per the usual GPRS charges and the desired service.

Further, some of the services will work on SMS and would require GPRS-compatible handsets. Microsoft CEO Steve Ballmer said that the Hutch-Microsoft partnership would allow Hutch to provide enriched content of online services powered by Microsoft.

MTNL to expand in six nations; marks a CapEx of $514.15 million for fiscal 2007

After performing very well in Delhi and Mumbai, MTNL now intends to mark its presence in six nations to offer advanced digital services like wireless and broadband. MTNL has also marked a CapEx worth $514.15 million, which is three times more than the previous fiscal. MTNL is already operating in Nepal and Mauritius and would be targeting several African nations.

The director for finance at MTNL, Anita Soni, said that MTNL was looking for obtaining international licenses or JVs. MTNL plans to target volume business to offer advanced services at reasonable tariffs. The company generates monthly ARPU of $11.19 from around 500,000 broadband users. MTNL would also add 2 million GSM connections and concentrate on value-added services (VAS), which presently contribute to MTNL's revenues approximately $1.3 billion with 3 percent to 4 percent.

MERGERS AND ACQUISITIONS

Bharti quits Kenyan bid

Bharti Airtel has quit the bidding process to be the second-ranked Kenyan telecom operator. Bharti's Mauritius-subsidiary, Bharti Venturetech, was bidding for Bharti Airtel. This has left only two Indian parties in the fray: MTNL and Reliance Communication. Bharti did not give any reasons for quitting the bid.

Kenyan authorities would complete the technical evaluation by October 27th and open the bids at the same time. Licenses would be issued by January 7th, 2007.

MTNL and Reliance lead in SNO license bidding in Kenya

Chances of an Indian company winning financial bids for the second national operator's (SNO) license in Kenya have increased. MTNL and Reliance with Dubai-based Vtel are the only competitors left after the withdrawal of other four global telecom operators. MTNL is bidding independently. Reliance associated with Swedtel, a Swedish company, for the bid. Despite bidding separately, MTNL and Reliance have finalized plans to explore international opportunities jointly.

The bid winner will receive one license for all services: Internet backbone, cellular, international voice gateway, commercial VSAT, and national and international long-distance services. Kenya will issue the SNO license to the successful bidder on January 30, 2007. In September 2006, the Kenyan government shortlisted seven applicants for the final process. The winner will have competitors like Telkom Kenya and cellular service providers Celtel and Safaricom, having 5 million and 3 million mobile subscribers, respectively. Kenya plans to have five telecom operators, with Econet Wireless and the SNO license winner to join the present operators. Econet Wireless plans to launch new services jointly in 2007 after facing problems since 2003.

Idea Cellular to launch IPO but will retain over 51 percent stake of the group's shareholdings

Aditya Birla group's telecom unit, Idea Cellular, is to enter the bourses with a planned public offering but will retain more than 51 percent of the group's shareholdings.

Aditya Birla Nuvo CFO Adesh Gupta has said that the IPO for Idea Cellular will be launched before this financial year ends. Aditya Birla Nuvo holds 35.7 percent equity stake in Idea Cellular and is the largest shareholder. He said that the aim was to retain the controlling stake, and overall group shareholding in Idea Cellular would not be affected by the IPO.

Idea's current subscribers amount to 10 million, and it is one of the biggest contributors to Aditya Birla Nuvo. The net profit from the telecom business for the July-September 2006 period went up to $8.08 million. Revenue for the same period was $79.39 million, up by 46 percent.

Mr. Gupta said that Aditya Birla Nuvo has planned to invest about $551.91 million in Idea. A sum of $442.35 million was paid to the Tata Group to acquire an additional stake of 31.45 percent in Idea. The Birlas had purchased 48.14 percent stake in Idea for $2.02 billion from Tatas in June 2006.

Chrys Capital purchases 5 percent stake in Idea Cellular for $110.49 million

Chrys Capital is said to have purchased a 4 to 5 percent stake in Idea Cellular by investing about $110.49 million to $121.54 million. Presently, Idea Cellular is valued at $2.21 billion to $2.65 billion with a subscriber base of 10.4 million. Idea had earlier invested $970 million to buy out the 48 percent stake owned by Tatas. Idea Cellular and Chrys Capital initiated talks a few days ago, where the deal was quickly finalized. So far, Chrys Capital has kept silent on the issue. Providence Partners, another equity firm, has invested $408.82 million to buy a 16 percent stake in Idea Cellular.

Both the Tatas and the Birlas had invested in Idea Cellular, which lent it a unique status. The Tatas exited the venture in the beginning of this year as they intend to concentrate on their CDMA business, Tata Teleservices. The Aditya Birla group is now left with 98 percent stake in the company as a result of Tata's exit. The company now needs investments to deal with the $1 billion dollar debt burden. New investments are also necessary to fund expansion plans to keep up with the competitive market and reduce the debt equity ratio.

Kerala, Andhra Pradesh, Maharashtra & Goa, Gujarat, Madhya Pradesh, Haryana & Chattisgarh, Uttar Pradesh(W), and Delhi and NCR are the eight circles where Idea cellular operates.

BSNL-MTNL merger currently on hold

The BSNL-MTNL merger is not likely to take place in the near future. Dayanidhi Maran, minister for communication and IT, said that they were better off individually.

The process of merger would continue nonetheless. Mr. Maran confirmed that national security would not be compromised pertaining to the FDI hike. He did not elaborate on the issue but said that they were looking for means to resolve the problem.

In 2005, ICICI Securities was asked to list various options that would allow the two service providers to merge. Recently, ICICI Securities was asked to submit a second presentation. Despite this, the merger issue has been sidelined, according to sources from DoT.

Celunite gets private equity funding for undisclosed amount from Garnett and Helfrich, giving it controlling stake in Celunite

Celunite has received private equity funding of an undisclosed amount from Garnett and Helfrich Capital, giving it a controlling stake in the company. Celunite had acquired Codito Technologies' embedded Linux services business in April 2006.

Garnett and Helfrich have also revealed plans to grow its Indian operations. It has set up an office in Mumbai which will cater to the companies in its portfolio and will identify new targets for acquisition for its venture fund buyout. It is likely to invest up to $100 million over the coming three to four years in Celunite.

The director of Brihans group, Mandar Agashe, told *Economic Times* that the intellectual property (IP) which was developed for CMP will remain with Codito.

This will make Codito an IPR holding company with shares in Celunite. Agashe made no comment when asked if there was a decrease in his stake in Celunite after Garnett and Helfrich got a controlling stake in it, only saying that he continues to have a stake in it.

Mr. Agashe had stated in April 2006 that the products business, which remained in Codito, will need funding of $1 million per year for 12 to 18 months more. There were also possibilities of it merging with a software services company.

GLG Partners acquires 8 percent stake worth $213 million in Idea Cellular

UK-based GLG Partners has acquired an 8 percent stake worth $213 million in Aditya Birla's Idea Cellular.

This acquisition has reduced Aditya Birla's group holdings to 65 percent from 73 percent. Sources say that further dilution of stakes will not take place unless the IPO is launched in 2007. At present, C Sivasankaran holds 1.7 percent stake in Idea Cellular. Sanjeev Aga, CEO of Ideal Cellular, declined to comment on the matter.

US-based Providence Equity Partners bought a 15 percent stake in the Birla group recently for $401.48 million. Another 10 percent was sold to Citigroup, TA Associates of the UK, and ChrysCapital. As a result of the deals with private equity players, the company's value now stands at $2.68 billion.

Initially, Tata group had off-loaded 48.14 percent stake in Idea Cellular for the sum of $980 million.

Aditya Birla had purchased the shares for $0.9 and had sold it to investors for $1.18 per share, which brought in a 30 percent premium. Aditya Birla group did not plan to sell more than 33 percent to private investors.

Hutchison and Essar extend negotiations deadline over BPL Mobile

Hutchison and Essar Group have extended the deadline for negotiations concerning the dispute over the BPL Mobile sale, instead of transferring the matter to an arbitration tribunal. The two groups have opted for this to evade an unfavorable public showdown. A tribunal would be set up immediately if the talks fail. Vikas Saraf, CEO of Essar Tele-Holdings (ETHL), is representing Essar in talks, while Asim Ghosh, MD of Hutchison Essar, is negotiating for Hutchison. Officials of both groups refused to comment. Experts opine the talks cannot be prolonged endlessly. Hutchison is expected to initiate the proceedings to set up the three-member tribunal if needed, since it has invoked the arbitration clause. In the meantime, BPL Mobile, which is currently operating with Essar, is investing $1 billion to expand and develop infrastructure and also to present new value-added services to its 1.5 million subscribers. Sources revealed that Essar is likely to make sales in a bid to build the BPL Mobile brand.

MARKET INTELLIGENCE

India expects over 500 million mobile subscriptions by 2010

By 2010, India's mobile subscriptions might surpass 500 million, making it one among the world's hottest markets. Dayanidhi Maran, India's communications minister, said that mobile subscriptions have already risen to 175 million through September 2006, from 75 million during 2004. International companies have been increasingly setting up mobile production units in India, as the center has been encouraging the production of low-cost handsets. In addition, the government encourages small firms to start software firms to aid the mobile industry.

The cell-phone boom in India has taken place due to cuts in phone tariffs that over ten companies offer. Ten years ago, the restrictions on mobile services were removed, thus ending the state monopoly, which was divided among the two companies owned by the government. According to industry experts, low tariffs have resulted in strong growth of mobile services across India.

Citigroup forecasts India's handset unit sales to rise by 26 percent in 2007

Mobile handset sales in India are expected to go up by 26 percent to 93 million units in 2007, fuelled by factors such as replacements and subscriber additions. Citigroup has stated in its report that Asia will steer the global handset sales growth, with an increase of 14 percent to 367 million units in 2007 and reach 35 percent of the world market. Further 14 percent of the increase in Asia would be driven by India.

Anand Ramachandran, head of Citigroup's Asia telecom research, stated that the actual growth in subscribers will be close to 0.8 million per month as against the current estimates of 0.6-0.7 million per month. India's total handset unit sales are expected to go up by over 100 percent to 74 million in 2006 from 31 million units in 2005. Global handset shipments are expected to rise 7 percent to 1.039 billion in 2007 following a 19 percent rise in 2006 to 968 million units.

CDMA operators capture 44 percent of PCO market since 2003

According to the Association of Unified Service Providers Association of India (AUSPI), CDMA operators grabbed 44 percent of the PCO market in three years after CDMA services started during 2003. The market was previously dominated by BSNL. AUSPI stated that presently there are 2 million CDMA-based private PCO operators in India. The secretary general for AUSPI, S. C. Khanna, said that CDMA operators provide easy PCO connections along with discounts. They also assist deserving parties with financial assistance. The ARPU from

PCOs is more than from mobile subscribers by a factor of 4 to 5. The CDMA operators recorded a growth rate from 20 percent to 28 percent from March 2005 to June 2006. On the contrary, GSM operators reported declining growth rate from 18.29 percent to 13 percent.

Private players ahead of BSNL in PCO segment

Private players together have surpassed BSNL in the PCO market, with a combined market share of 47.01 percent, and continue to grow. BSNL's market share has fallen to 46.92 percent. According to TRAI data, the total number of PCOs in the country has gone above 4.5 million in the June 2006 quarter, and more than 1 million have been installed in the last year. Maximum growth was seen in Reliance, with 173,529 connections during the period, followed by 57,000 Tata Teleservices and 48,529 BSNL connections. MTNL, with a market share of 6 percent, has over 273,000 PCOs. BSNL has the maximum number with 2.1 million PCOs. Reliance comes close, with 1 million, and Tata Teleservices has 0.7 million connections.

India and China's telecom sector to become the largest wealth creator in 2010

India and China's growth in the mobile telephony sector is entering a new stage. After Bharti Airtel posted the largest number of new users in a single quarter, its market value shot up by $1.009 billion in one day. Bharti came into the $22 billion market cap club. Other players are likely to catch up with its growth, but may not be able to enter the club. Reliance Communications' market value rose by $0.755 billion and closed at $17.448 billion. The joint market cap of the two biggest operators listed stands at $40 billion at present. Industry analysts estimate Hutch's value at $12.5 billion, Tata Teleservices' value at $4.5 billion, and Idea Cellular's value at $3.5 billion; analysts cited their brand value, growth potential, market share, and subscriber base, as well as comparisons with the currently listed players.

The private operators, excluding BSNL and MTNL, hold a $60 billion joint market capitalization. According to analysts, the present trend shows that telecom players will be the biggest creators of wealth in 2010. In 2010, the user base is estimated at about 350 million, a rise from the present 160 million. China is indicating the direction where Indian telcos are headed, say analysts. If BSNL is listed on the Indian bourses, Indian telcos at present would be valued at $100 billion, according to industry analysts. MTNL's current market value is about $2.1 billion.

India's growth in the wireless market is the fastest in the world. Its net addition of new users is over 5 million per month. Further growth that is nearer to the levels of China indicates a potential for creating wealth. India's telecom penetration stands at 14.4 percent and its wireless penetration stands at 10.4 percent, said Macquarie Research's analyst Subham Majumdar.