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**POLICY & REGULATION**

**DoT is ready with 3G policy**

India's Department of Telecom (DoT) is gearing up to prepare the final 3G (third generation) policy, which would pave the way for the launch of these much-awaited services in the country. The 3G policy allows foreign operators to participate in the 3G auction and also fixes the reserve price of the spectrum at \$521.35 million. According to DoT officials, the policy awaits an official announcement from the Communications Minister. Reports suggest that the policy norms allow successful bidders not to share revenue in the first year. In the second year, they would be required to share 1% of their revenues. The policy guidelines sharply contradict the proposals submitted by Telecom Regulatory Authority of India (TRAI), which was not in favor of permitting foreign operators to take parting the 3G spectrum auctioning.

**Government dismisses concerns of security threat by Blackberry services**

The Indian government has dismissed the concerns expressed by the Indian security agencies over the provision of Blackberry services in India and has given a clean chit to the same. Telecom Secretary Siddharth Behura has stated that Blackberry service does not pose any security threat to India. Earlier, the provision of Blackberry services in India became highly controversial after the Indian security agencies said that the un-monitored data traveling through Blackberry maker Research in Motion's (RIM's) network could be maliciously used by terrorists. Meanwhile Mr. Behura said that Indian telecom service

providers do require the government's permission for providing value-added services and Blackberry services. Telecom operators including the state-run BSNL has also expressed its interest to provide Blackberry services. Mr. Behrua also said that the government would continue its discussions over the security implications of this much-talked about service.

### **Indian telecom operators fail to achieve rural-density targets**

The Indian government has stated that the USOF (Universal Service Obligation Fund) has not been properly used for providing rural telephony services, adding that the private sector has failed to fulfill the pre-defined targets. Mr Siddhartha Behuria, Secretary, Department of Telecommunication, has said that the private sector has not adequately used the USO fund to improve rural-telephony services. He also stated that the government is devising a scheme for providing 100,000 phone connections in rural CSCs (common service centers). Additionally, the government also aims to provide broadband internet to all government-backed secondary/higher secondary schools. India's rural telecommunications sector is unlikely to account for 40% (100 million) of the next 250 million mobile users over the next five-to-ten years. The largely unutilized USO Fund is capable of supporting various rural schemes. Furthermore, the phasing out of the Access Deficit Charge (ADC) has provided operators with newer incentives to deploy mobile networks in rural areas.

## **WIRELESS**

### **Higher reserve price for 3G spectrum upsets stand-alone ISPs' WiMAX aspirations**

The Indian government's decision to bring about a twofold hike in the base price for 3G spectrum auction has upset several stand alone ISPs (internet service providers) as the reserve price for the upcoming Worldwide Interoperability for Microwave Access (WiMAX) auction will be just 25% of that of third generation spectrum. In other words, the reserve price for an internet service provider applying for WiMAX spectrum will be more than \$126.99 million and the eventual price could end up being much higher than this amount. ISPs argue that a high reserve price would prevent them from competing against the establish telecom operators, who are keen to launch WiMAX services. This also means that the reserve price for an operator interested in bidding for 3G and WiMAX will be \$646.5 million. Realizing this, the ISPAI (internet service providers association of India) plans to meet telecom regulator TRAI to demand that ISPs should be charged just 25% of the largest made by a telecom operator. The association also wants the regulator to reserve select spectrum slots for ISPs. Meanwhile the DoT wants WiMAX to be initially provided by just three players operating in the 2.5GHz band.

### **Shyam Sistema receives CDMA spectrum in 19 circles**

Shyam Sistema Joint Venture (JV) has announced that it has CDMA (code division multiple access) spectrum in the 800MHz band in as many as 19

service areas including Kolkata, Chennai, AP, Karnataka, Gujarat, TN, Maharashtra, Kerala, Haryana, UP (E), UP (W), MP, WB, Bihar, HP and J&K, among others. This now puts Shyam Telelink on the same footing as Tata Teleservices and Reliance Communications, which are pan-India CDMA operators. The firm is also awaiting the allocation of radio frequencies in the GSM space, and has already obtained initial spectrum in select service areas. Company CEO Mr. T. Narasimhan said that the launch to the company's services would provide employment to over 8,000 people and indirect employment to at least one million people. He reiterated Shyam's commitment to provide affordable services to the Indian people. The company reckons that the 800MHz frequency band would allow it to provide improved mobile services to its users.

### **Three Indian nationalized banks to unveil m-banking services soon**

The mobile convergence segment in India continues to gain strong momentum with the soon-to-be launched mobile-banking services in the country. This development would enable Indian mobile phone users to perform banking transactions through their mobiles. Three Indian nationalized banks- Bank of India, State Bank of India (SBI) and Union Bank of India are set to unveil m-banking services in the near future. SBI has announced that it intends to unveil its services in the latter half of July and the banking services which will be integrated with cellular services include utility bill payments, account-to-account fund transfer and queries pertaining to accounts. Meanwhile Bank of India has joined hands with BillDesk and is looking to cater to the addressable market of 1.75 crore users.

### **Motorola plans to bid for BSNL WiMAX project**

Telecom equipment vendor Motorola is contemplating bidding for Indian company BSNL's upcoming Wi-MAX project. According to Subhendu Mohanty, Motorola India Country Head, Home & Network Mobility Business, the company's bid has already progressed to the technical assessment stage. Wi-MAX technology is a worthwhile alternative to DSL and Cable as it enables the provision of last mile broadband wireless access. He said that Motorola is eyeing opportunities worth \$100-\$150 million. Meanwhile BSNL's rural broadband project entails the provision of broadband internet via Wi-MAX network in around 40,000 primary and secondary schools this year. The company also intends to establish 50,000 Wi-MAX kiosks. Its second tender, which is worth \$465.54 million, would entail the implementation of BSNL's expansion plan for urban regions wherein Wi-MAX services would be deployed across 70 cities in 2008. The US-based Motorola is contemplating bidding for this project as well.

### **Samsung becomes the second biggest handset player in India**

The fast-growing mobile phone market of India has witnessed yet another shake-up with the new report from ORG disclosing that Korea-based handset maker Samsung has become the second biggest handset maker in the country. The ORG report stated that Samsung has beaten Sony Ericsson to grab the

second place, adding that Nokia has retained its number one position in the market. The report stated that Sony Ericsson's market share reduced from 8.1% in March to 5.8% in May. However, Samsung increased its share from 7% to 7.4% during the same period.

## **INTERNET**

### **BSNL, HCL launch bundled offer of broadband connections and computers**

India's state-run telecom firm Bharat Sanchar Nigam Ltd. (BSNL) and HCL have unveiled a "bundled offer" of providing broadband connections and computers at slashed prices in Dakshina Kannada and Udupi districts. The company has reduced the broadband rates from \$5.76 per month to \$4.58 for 24 months and is offering a 10% discount to customers who also choose to purchase HCL computers. Principal General Manager of Dakshina Kannada Telecom District I. Thirunavakkarasu said that BSNL also plans to come up with its B/B (broadband) Home Plan-125 at lesser rates for those who opt to purchase HCL computers. Customers opting for the bundled offer would be able to save a rent of \$1.38 and will not need to pay any installation/registration fees as well. Computers would be equipped with in-built ADSL2+ modems. These computers would have free games, anti-virus and songs and come with DVD writers.

## **BUSINESS**

### **VAS players demand level-playing field in the VAS segment**

Representing the value added services (VAS) operators in India, the Internet and Mobile Association of India (IAMAI), have demanded a level-playing field in the VAS segment. This was in response to a recent consultation paper by Telecom Regulatory Authority of India (TRAI) on the VAS space in India. The IAMAI has also demanded the standardization of the rules of access/interconnection in addition to a transparent, mutually acceptable revenue-sharing agreement between telecom operators and VAS players. The association has also stated that variations in customers of VAS players and operators must not be over 2%.

### **Tata Communications launches Cisco-certified TelePresence network/managed services**

Tata Communications has unveiled Cisco-certified TelePresence network/managed services, targeting its enterprise customers globally. According to Tata Communications, the Telepresence managed services would be able to address issues pertaining to scheduling, reservations, customer support, management, monitoring, and billing capabilities, among others. Rajesh Chainani, vice president of Service Provider for Cisco India & SAARC, said that this innovative service would provide tremendous value to its enterprise customers, adding that the Cisco TelePresence solution will accelerate time-to-market of its new services. Tata Communications has already won orders for

TelePresence solutions including the one with CII which would connect its four offices in Chennai, New Delhi, Bangalore and Hyderabad.

### **Insurance companies switching on to mobile channel for boosting their services**

India-based insurance companies are increasingly depending upon the mobile channel to establish a direct link with their customers and improve their services in general. Max New York Life Insurance and ICICI Prudential have already unveiled a service which allows mobile users to pay premiums via SMS. These firms have launched the services in partnership with cellular payment companies. Meanwhile Bharti Axa and Reliance Insurance are also planning to launch the services by teaming up with their counterparts in the telecommunications space. Industry experts reckon that this would allow mobile operators in large cities to get respite from their plummeting ARPU and earn some additional revenues

### **Datacom's network rollout plan likely to hit roadblock due to its legal battle with HFCL**

Videocon-backed telecom group Datacom's plans of investing \$3.491 billion for deploying its telecom network are likely to hit a roadblock as its minority shareholder HFCL is contemplating taking a legal action against Datacom for allegedly breaching its stakeholder's agreement. HFCL-owned Jumbo Techno Services, which had sold 64% stake in Datacom Solutions to Videocon's Dhoots, has accused the company of taking major decisions without consulting the minority shareholder. HFCL promoter Mahendr Nahata said that the company is planning to approach the court over this issue. Realizing this, Videocon has gone on to file a caveat in Delhi High Court to guard itself against a judicial directive before the hearing. Datacom had recently bagged pan-India license to provide telecom services in India and was eyeing an investment of \$3.491 billion for rolling out its nationwide network. But the looming threat of a legal feud will make it difficult for the company to secure finances from Indian banks and institutions.

### **BSNL to unveil international calling cards**

India-based state-run telecommunications service provider BSNL is set to unveil (pre-paid) international calling cards for overseas Indian community and also for Indians traveling to other countries. The card would enable the users to make calls from any mobile, landline or VoIP (voice over internet protocol) device from overseas. The calling cards services would initially encompass Canada, the US, the Middle East, South East Asia, UK, Western Europe and Australia. Meanwhile BSNL has also invited EoIs (Expressions of Interest) from firms for marketing its international calling cards.

## **MERGERS AND ACQUISITIONS**

### **AT&T inching closer to acquire Maxis' 74% stake in Aircel**

US-based telecommunications biggie AT&T, which is planning to make a re-entry into Indian mobile market, is close to acquiring Malaysia-based Maxis Communications' 74% holding in Aircel. AT&T had quit the Indian market after divesting its 33% stake in Idea Cellular after its merger with Cingular Wireless. According to sources, Aircel has been valued at around \$5-6 billion. The US-based telecom giant meanwhile has stopped talks with new players like Videocon-promoted Datacom and Unitech since Maxis has expressed its keenness to sell its stake. AT&T, which has already got NLD/ILD (national long distance and international long distance) licenses in India, has been looking for an Indian ally to enter the world's fastest growing mobile market. The Malaysian operator owns 65% direct stake in Aircel while its JV entity with the Apollo Group's Reddy family owns the remaining 35% stake. Aircel's valuation was 1.08 billion when the deal was completed in January 2006. The Malaysian operator has paid \$750 million to acquire the holding at that time. However, the value of Maxis' 74% holding is valued at around \$4.5 billion.

### **Bharti reportedly holding talks with Kuwait-based Zain**

India's biggest service provider Bharti Airtel is reportedly holding talks for acquiring Kuwaiti- telecom giant Zain, which is worth \$5.91 billion. Zain currently operates in seven Middle Eastern countries in addition to 15 Sub-Saharan African countries. Its combined user base is around 45.7 million. Meanwhile a Bharti spokesman strongly rubbished these rumors. Bharti had recently held acquisition talks with South African telecom giant MTN. However, the negotiations failed to materialize wing to some irreconcilable differences between the two firms. But this has not deterred the Indian operator from pursuing its plans of expanding its footprint globally. It now plans to expand overseas by adopting the MVNO (mobile virtual network operator) route and is eyeing smaller firms for acquisition. In this context, a planned acquisition of Zain makes perfect sense as it has a market capitalization of \$1.7 billion. If Bharti manages to acquire Zain, it would be adding an additional 45.7 million users to its existing customer base, thereby increasing its combined user base to more than 111.

### **AMSS gives clean chit to RCOM over its ongoing spat with RIL**

Law Company Amarchand & Mangaldas (AMSS) has stated that Reliance Communications' (RCOM) proposed deal with South African telecommunications giant MTN does not breach its earlier pact with Mukesh Ambani-controlled Reliance Industries (RIL). After carefully studying the non-compete deal between RCOM and RIL, AMSS has arrived at the conclusion that Mukesh Ambani cannot exercise his first right of refusal (ROFR) when RCOM, which is owned by Mukesh's younger brother Anil Ambani, goes ahead with its plan of a reverse merger with MTN. RCOM had asked legal opinion from three key large law firms over this issue. This statement by AMSS comes even as MTN has expressed its

concern over the ongoing spat between ROM and RIL. According to unconfirmed media reports, MTN will extend the deadline of its 45-day exclusive talk period only if RCOM comes up with a solid proof that the legal battle between the two Indian firms would not affect the \$80 billion merger.

### **OnMobile buys Europe-based Telisma**

India-based telecom VAS (value-added service) provider has bought Europe-based speech recognition firm, Telisma. This acquisition will allow OnMobile to speed-up its penetration into fast-developing emerging markets by creating speech recognition models. OnMobile stated that the speech recognition technology will boost its mobile applications product suite. According to Arvind Rao, chief executive officer and co-founder, OnMobile, the company's knowledge in speech application development will be complemented by Telisma's expertise in Speech technologies, thereby catalyzing the provision of next generation telecom services.

### **Idea's acquisition of Spice worries smaller telecom operators**

Idea Cellular's recent buyout of Spice has spelled doom for many of the small-sized mobile operators of India. As Spice provides services in Punjab and Karnataka, the acquisition will enable Idea to boost its presence from the existing 11 circles to 13. Except for operators like MTNL, BPL Mobile, Shyam Telelink and HCFL Infotel, every other player has presence in at least 10 circles. The top six service providers—Bharti, Reliance, BSNL, Vodafone, Idea and TTSL contributed around 258 million subscribers (93%) of India's total user base of 277.39 million users by end- May. Furthermore, the entry of new players like Unitech, Videocon, AT&T and Sistema would increase the competitiveness of the Indian mobile space. However, Videocon Group chairman Venugopal Dhoot reckons that smaller/new firms need not despair as India continues to offer great opportunities to the operators owing to the sheer size of its population (1 billion). He opines that a large majority of Indians still do not possess a mobile phone. Despite the impressive size of the Indian mobile market, the average revenue per user (ARPU) in metros and other large cities is on the decline.

### **TM International and Idea to launch open offer on August 22**

Malaysia-based TM International, a division of Telekom Malaysia, and Indian cellular service provider Idea Cellular plan to launch an open offer on August 22 for acquiring 20% of Spice Communications, according to their investment banker. The offer for buying around 138 million shares at Rs 77.3 each (\$1.78 or \$250 million totally) will end on September 11. This mandatory offer comes after the signing of a three-way contract last week wherein Idea, the fifth biggest cellular service provider, would acquire Spice. Under the terms of the agreement, TM International's 39.2% stake in Spice would be transformed into Idea shares. Meanwhile TM would also be paying for a preferential allotment for acquiring nearly 20% stake in Idea.

### **Maxis says it is not holding any talks with AT&T**

Malaysia-based telecom operator has denied media reports which suggested that it was about to sign a deal with US-based AT&T for selling its stake Aircel. A company spokesperson said that the media reports were triggered by baseless speculation, adding that the company is not holding any talks with AT&T on this issue. He said that Maxis is committed towards the growth/development of Aircel as a pan-India service provider. Indian business dailies had been reporting about this issue for nearly a month.

## **MARKET INTELLIGENCE**

### **India's mobile services market to exceed \$37 billion by 2012**

According to a new report by IT research and advisory firm Gartner Inc., Indian mobile market is likely to exceed \$37 billion by 2012, witnessing a CAGR (compound annual growth rate) of 18%. The country's mobile user base is also expected to go past 737 million by 2012 (CAGR of 21%) during the period. Mobile penetration rate is estimated to increase to 60.7% in 2012 from 19.8% in 2007. The contribution of prepaid connections towards the total connections is expected to increase from 89% in 2007 to over 92% in 2012. The report added that India is likely to witness impressive telecom growth during this period and will continue to be the second biggest mobile market in the world after China. According to Madhusudan Gupta, senior research analyst at Gartner, the encouraging growth in India's mobile user base is attributed to lower handset costs, low tariffs and increasing rural-telepresence. The report said that rural telephony is likely to witness a four-fold growth during this forecast period.

**Rural mobile penetration, broadband propel India's telecom growth in FY2007-08** According to a survey from Voice and Data, nearly half of the new user additions witnessed by India during the fiscal year 2007-008 were accounted for by rural areas. The future for mobile growth looks exceedingly bright as cellular network has not reached in 50% of the rural regions. The survey states that the Indian telecommunications industry posted revenues of \$31 billion, posting a growth rate of 21.3%. Mobile services accounted for \$17.668 billion, witnessing a growth rate of 21.5%. But revenues from India's fixed-line services reduced by 11.6% to \$6.156 billion. India's ILD business meanwhile grew marginally a year back while NLD (national long distance) services grew by 35.4%. Surprisingly, revenues from broadband services grew by 16.27% to touch \$1.23 billion. The total user base increased from 2.5 million in FY2006-07 to 3.9 million