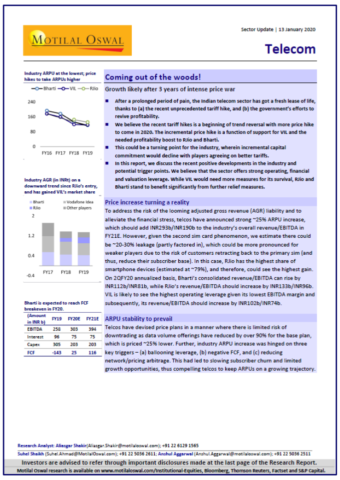
Sector Update | 26 February 2020

Telecom

Our earlier telecom update



Tariff hikes drive consolidation in market

The Telecom Regulatory Authority of India (TRAI) has released subscriber data for Dec'19. Key highlights:

- **Industry gross subscriber base declined by 3.2m (-0.3% MoM) to 1,151m, led by VIL (-3.6m). Bharti's gross subscriber addition stood nil, whereas RJio added mere 0.1m subscribers, clearly reflecting SIM consolidation post tariff hikes.**
- **Bharti gained on account of consolidation in the market. Its active subscriber base increased by 1.4m MoM to 315m, while gross subscribers stood flat MoM at 327m.**
- **VIL lost 3.6m gross subscribers MoM (v/s a loss of 36.4m in Nov'19) to reach a base of 333m. It lost 1.1m (v/s loss of 3.1m in Nov'19) active subscribers to 298m with market share contracting to 30.3% (v/s 30.5% in Nov'19), largely due to subpar network.**
- **RJio's gross subscribers increased by 0.1m MoM to 370m (market share: 32.1%). Active subscriber addition stood at 3m, but this was much below 7-8m adds until 2QFY20; active subscriber market share improved by 20bp MoM to 31%.**
- **Industry MBB subscriber adds stood at mere 0.9m in Dec'19 (+16.8m in Nov'19) to reach 627m, accounting for 63.8% (-30bp MoM) of total active subscribers in the market. The sharp fall in MBB subscriber adds could be attributed to recent tariff hike.**
- **Bharti added 0.5m MBB subscribers (7.1m in Nov'19), as against a decline for VIL and flat adds for RJio. This indicates Bharti is benefiting in the industry SIM consolidation phase with 10bp market share improvement to 22%. Moreover, the adds have come despite ARPU hikes in the industry.**

Active subscribers base – a reversal in trend

After declining by 2.1m in Nov'19, the number of active subscribers increased again by 3.5m in Dec'19. The trend comes on the back of IUC charges imposed by RJio in Oct'19 and a major unanimous price hike (~25%-30%) in Dec'19. Gross subscriber base declined by 3.2m (-0.3% MoM) to 1,151m, as against addition of ~3-4m in the recent past. Bharti's gross subscriber base stood flat and RJio added mere 0.1m subscribers. VIL's gross subscribers declined by 3.6m, possibly due to customers discarding non-functional SIM cards post tariff hikes.

Surprisingly, RJio has again added 3m active subscribers in Dec'19 (after losing 2.4m in Nov'19 for the first time since it began its operations). Bharti added 1.4m active subscribers (v/s 3.7m in Nov'19), whereas VIL lost 1.1m.

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Bharti maintains healthy pace of active subscriber additions

Bharti has gained on account of consolidation in market; its gross subscriber base stood flat at 327m, while active subscriber base increased by 1.4m to 315m, which indicates the company's focus on gaining quality customers led by a significant improvement in network reach and quality. It also indicates that subscribers are moving from VIL to Bharti, as active subscriber loss of VIL is approximately equal to gain in Bharti's active subscriber base since the past two months (post deterioration of VIL's network). Further, Bharti has remained at third position in gross market share (28.4%); however, it maintained its top position in active subscriber market share with 32%, followed by RJio (31%) and VIL (30.3%).

RJio adds ~3m active subscribers

RJio's gross subscribers grew merely by 0.1m to 370m (against average 8.2m gross subscriber adds in the past 12 months) – commanding 32.1% (-10bp MoM) market share. In terms of active subscriber base, it gained 3m subscribers along with market share gain of 20bp MoM to 31% (100bp lower than Bharti). RJio's launch of IUC plans was expected to impact its subscriber base, but the trend has reversed in Dec'19. Gross subscriber additions could be attributed to new subscriber addition in the Jiophone category, wherein it adds ~4-5m subscribers every month.

VIL continues losing subscribers

VIL lost 3.6m gross subscribers (v/s huge loss of 36.4m in Nov'19 and average loss of 7.5m for the past 11 months) to reach 333m (market share: -20bp MoM to 28.9%). It lost 1.1m (v/s loss of 3.1m in Nov'19) active subscribers in Dec'19 to 298m with market share contracting to 30.3% (v/s 30.5% in Nov'19). VIL's subscriber loss can be largely attributed to its subpar network.

Broadband subs data – MBB subs fall marginally

- **Industry MBB subscribers decline by 0.8m:** Industry MBB subscriber adds stood at 0.9m in Dec'19 (+16.8m in Nov'19) to reach 627m, accounting for 63.8% (-30bp MoM) of total active subscribers in the market. We attribute the fall in MBB subscribers to the hike in tariff charges in Dec'19; these numbers also include Jiophone adds (excluding those that we estimate MBB subs loss at ~6m-7m.)
- **Bharti – subs addition continues:** Bharti added 0.5m MBB subscribers (7.1m in Nov'19) – the highest amongst the three players. This signifies it is benefiting in the industry SIM consolidation phase with 10bp MoM market share improvement to 22%; the focus remains on adding high-ARPU quality customers. Excluding the estimated Jiophone off-take, it is expected to have garnered healthy incremental market share, above the previous trend of ~35%. This bodes well for Bharti as this is happening despite ARPU hikes in the industry.
- **RJio – addition moderates:** RJio registered 0.1m MBB subscriber adds (v/s +5.6m in Nov'19), taking the total subscriber base to 370m. Its market share stood at 59% (flat MoM). Excluding Jiophone (predominantly used for voice calls but classified as broadband by RJio), RJio's MBB loss could be ~6-7m, in our view.
- **Vodafone-Idea loses subscribers:** VIL lost 0.5m net MBB subscribers (after average adds of ~1.8m in the past six months; +7.1m in Nov'19) to reach a base of 118m. Market share stood at 18.9% (-20bp MoM).

Telcos move to increase prices – a big positive

In Dec'19, telcos reported moderation in gross subscriber growth, whereas active and MBB subscribers saw consolidation (Bharti's addition was best in industry). Recently, telcos announced an effective price hike of ~30% for prepaid customers – equivalent to blended ARPU hike of 25% since Dec'19, resulting in a change in industry dynamics – more signs will be visible from 4QFY20 as highlighted in our earlier sector report (click here). Further, the Supreme Court took a strong stance over AGR liabilities, post which Bharti/VIL made part payment of ~INR100b/INR35b of their total dues of ~INR344b/INR443b. We believe that prices are still lower and industry needs another hike over the coming 10-12 months.

Exhibit 1: Active subscriber base — Bharti leads the way (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	331	328	328	324	320	316	312	306	303	310	313	315
Vodafone Idea	385	377	368	342	334	322	311	308	302	302	299	298
RJio	240	250	258	265	268	278	282	289	290	304	302	305
Top 3 players	**956**	**955**	**954**	**931**	**922**	**916**	**905**	**904**	**895**	**916**	**914**	**917**
Other players	**66**	**67**	**68**	**68**	**68**	**68**	**67**	**66**	**66**	**66**	**65**	**66**
Total	**1,023**	**1,023**	**1,022**	**1,000**	**989.6**	**983.8**	**972.4**	**970.2**	**960.9**	**981.2**	**979.1**	**982.6**

Source: TRAI, MOFSL

Exhibit 2: Active subscriber net adds (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	-4.6	-3.2	-0.2	-3.7	-4.2	-4.4	-3.6	-5.7	-3.5	6.8	3.7	1.4
Vodafone Idea	-6.2	-7.2	-9.1	-26.0	-8.6	-11.2	-11.1	-2.9	-5.9	-0.7	-3.1	-1.1
RJio	6.3	9.3	8.0	7.2	3.1	10.2	4.0	7.2	0.5	14.3	-2.4	3.0
Top 3 players	**-4.5**	**-1.1**	**-1.3**	**-22.5**	**-9.7**	**-5.4**	**-10.8**	**-1.5**	**-8.9**	**20.4**	**-1.7**	**3.2**
Other players	**0.7**	**1.1**	**0.4**	**0.5**	**-0.3**	**-0.4**	**-0.7**	**-0.8**	**-0.4**	**-0.1**	**-0.4**	**0.2**
Total	**-3.8**	**0.0**	**-0.9**	**-22.1**	**-10.1**	**-5.8**	**-11.4**	**-2.2**	**-9.3**	**20.3**	**-2.1**	**3.5**

Source: TRAI, MOFSL

Exhibit 3: Active subscriber market share —Bharti at top position (%)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	32.4	32.1	32.1	32.4	32.3	32.1	32.1	31.6	31.5	31.5	32.0	32.0
Vodafone Idea	37.6	36.9	36.0	34.2	33.7	32.8	32.0	31.8	31.5	30.8	30.5	30.3
RJio	23.5	24.4	25.2	26.5	27.1	28.3	29.0	29.8	30.2	31.0	30.8	31.0
Top 3 players	**93.5**	**93.4**	**93.4**	**93.2**	**93.1**	**93.1**	**93.1**	**93.2**	**93.2**	**93.3**	**93.3**	**93.3**
Other players	**6.5**	**6.6**	**6.6**	**6.8**	**6.9**	**6.9**	**6.9**	**6.8**	**6.8**	**6.7**	**6.7**	**6.7**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

Exhibit 4: Trend in gross subscriber base (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	340	340	325	322	320	320	329	328	326	326	327	327
Vodafone Idea	415	409	395	393	388	383	380	375	372	373	336	333
RJio	289	297	307	315	323	331	340	348	355	364	370	370
Top 3 players	**1045**	**1047**	**1027**	**1030**	**1031**	**1035**	**1048**	**1051**	**1053**	**1063**	**1033**	**1030**
Other players	**137**	**137**	**135**	**132**	**131**	**130**	**120**	**120**	**120**	**121**	**121**	**122**
Total	**1,182**	**1,184**	**1,162**	**1,162**	**1,162**	**1,165**	**1,168**	**1,171**	**1,174**	**1,183**	**1,155**	**1,151**

Source: TRAI, MOFSL

Exhibit 5: Gross subscriber market share

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	28.8	28.8	28.0	27.7	27.6	27.5	28.1	28.0	27.7	27.5	28.3	28.4
Vodafone Idea	35.1	34.6	34.0	33.8	33.4	32.9	32.5	32.0	31.7	31.5	29.1	28.9
RJio	24.5	25.1	26.4	27.1	27.8	28.4	29.1	29.7	30.3	30.8	32.0	32.1
Top 3 players	**88.4**	**88.4**	**88.4**	**88.6**	**88.7**	**88.8**	**89.7**	**89.8**	**89.7**	**89.8**	**89.5**	**89.4**
Other players	**11.6**	**11.6**	**11.6**	**11.4**	**11.3**	**11.2**	**10.3**	**10.2**	**10.3**	**10.2**	**10.5**	**10.6**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

Exhibit 6: Gross subscriber net adds (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	0.1	0.0	-15.1	-3.3	-1.5	0.0	8.2	-0.6	-2.4	0.1	1.7	0.0
Vodafone Idea	-3.6	-5.8	-14.5	-1.6	-5.7	-4.1	-3.4	-5.0	-2.6	0.2	-36.4	-3.6
RJio	9.3	7.8	9.5	8.1	8.2	8.3	8.5	8.4	7.0	9.1	5.6	0.1
Top 3 players	**5.8**	**2.0**	**-20.2**	**3.2**	**1.0**	**4.1**	**13.3**	**2.9**	**2.0**	**9.4**	**-29.2**	**-3.6**
Other players	**0.1**	**-0.2**	**-1.7**	**-2.7**	**-1.4**	**-0.5**	**-10.5**	**-0.3**	**0.8**	**0.3**	**0.3**	**0.4**
Total	**6.0**	**1.7**	**-21.9**	**0.5**	**-0.4**	**3.6**	**2.9**	**2.6**	**2.8**	**9.7**	**-28.8**	**-3.2**

Source: TRAI, MOFSL

Exhibit 7: Trend in MBB subscriber base (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	108	110	112	111	118	121	124	127	125	130	138	138
Vodafone Idea	110	110	110	110	109	111	111	111	112	116	120	118
RJio	289	297	307	315	323	331	339.8	348	355	364	369.9	370.0
Top 3 total	**507**	**517**	**529**	**536**	**550**	**563**	**575**	**586**	**593**	**611**	**627**	**626**
Other players	14	14	15	12	12	12	10	11	13	14	0	0
Total	**521**	**532**	**544**	**548**	**563**	**576**	**585**	**597**	**606**	**624**	**628**	**627**

Source: TRAI, MOFSL

Exhibit 8: Trend in MBB subscriber net adds (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	10.0	1.8	2.5	-0.8	6.9	3.1	2.5	2.8	-1.3	5.0	7.1	0.5
Vodafone Idea	1.9	0.4	0.0	-0.5	-0.6	1.5	0.4	0.2	1.1	3.6	4.1	-1.4
RJio	9.3	7.8	9.5	8.1	8.2	8.3	8.5	8.4	7.0	9.1	5.6	0.1
Top 3 total	**21.2**	**10.0**	**11.9**	**6.7**	**14.4**	**12.9**	**11.4**	**11.4**	**6.8**	**17.7**	**16.8**	**-0.9**
Other players	0.2	0.2	0.9	-3.1	0.1	0.2	-2.0	0.1	2.5	0.8	-13.7	0.0
Total	**21.4**	**10.2**	**12.8**	**3.6**	**14.5**	**13.1**	**9.4**	**11.5**	**9.3**	**18.6**	**3.1**	**-0.9**

Source: TRAI, MOFSL

Exhibit 9: Trend in MBB subscriber market share (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	20.7	20.7	20.6	20.3	21.0	21.1	21.2	21.2	20.7	20.9	21.9	22.0
Vodafone Idea	21.1	20.7	20.2	20.0	19.4	19.2	19.0	18.6	18.5	18.5	19.1	18.9
RJio	55.5	55.9	56.3	57.4	57.4	57.5	58.1	58.4	58.6	58.3	59.0	59.0
Top 3 total	**97.3**	**97.3**	**97.2**	**97.8**	**97.8**	**97.9**	**98.2**	**98.2**	**97.8**	**97.8**	**100.0**	**100.0**
Other players	2.7	2.7	2.8	2.2	2.2	2.1	1.8	1.8	2.2	2.2	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: TRAI, MOFSL

Exhibit 10: Incremental MBB subscriber market share (m)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Bharti	47.0	18.4	20.6	-12.0	47.8	24.4	21.5	24.2	-18.9	28.3	42.1	NM
Vodafone Idea	9.1	3.9	-0.3	-8.0	-4.5	11.7	3.5	1.7	15.7	20.3	24.4	NM
RJio	43.9	77.7	79.6	120.0	56.7	64.0	75.0	74.1	103.3	51.3	33.4	NM
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**NM**

Source: TRAI, MOFSL

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