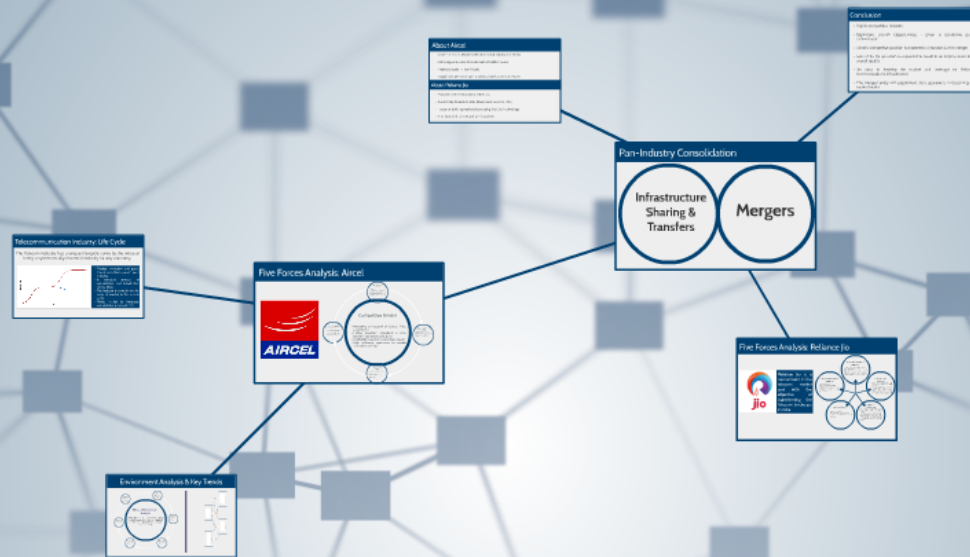


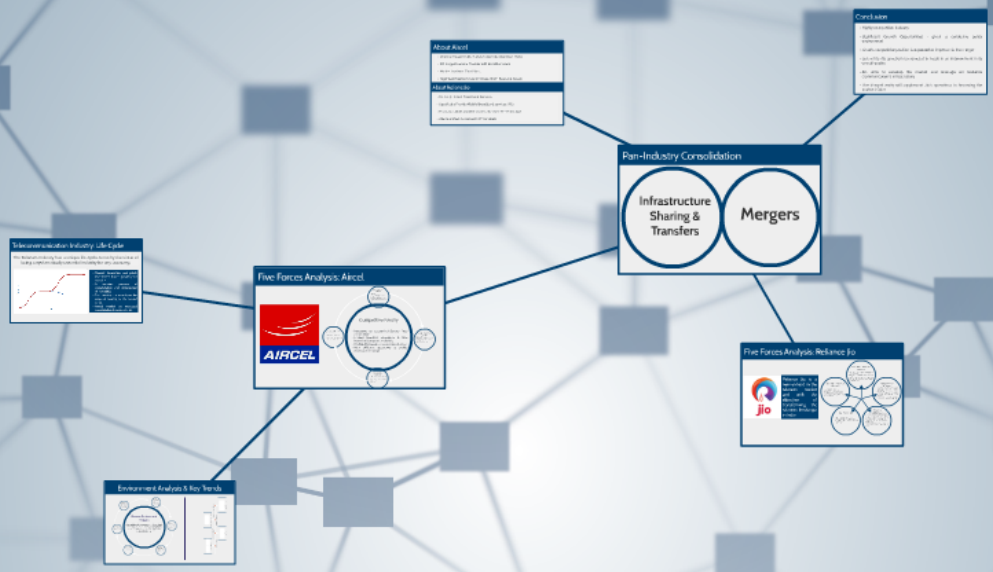
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Evaluating the Telecommunication Industry

A Presentation by Aman Gupta & Arindam Som

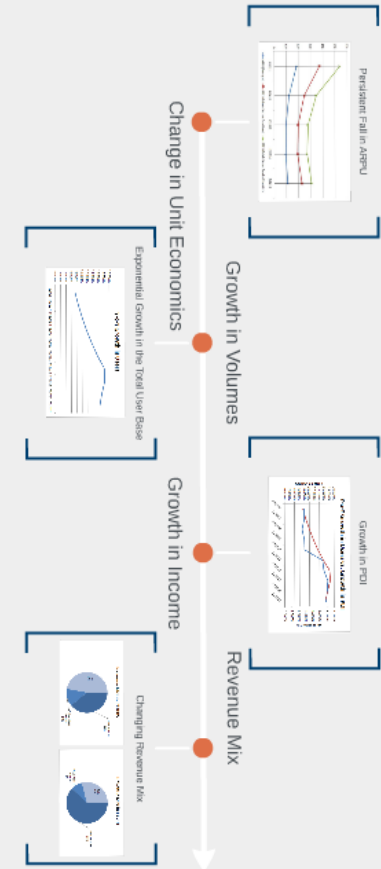
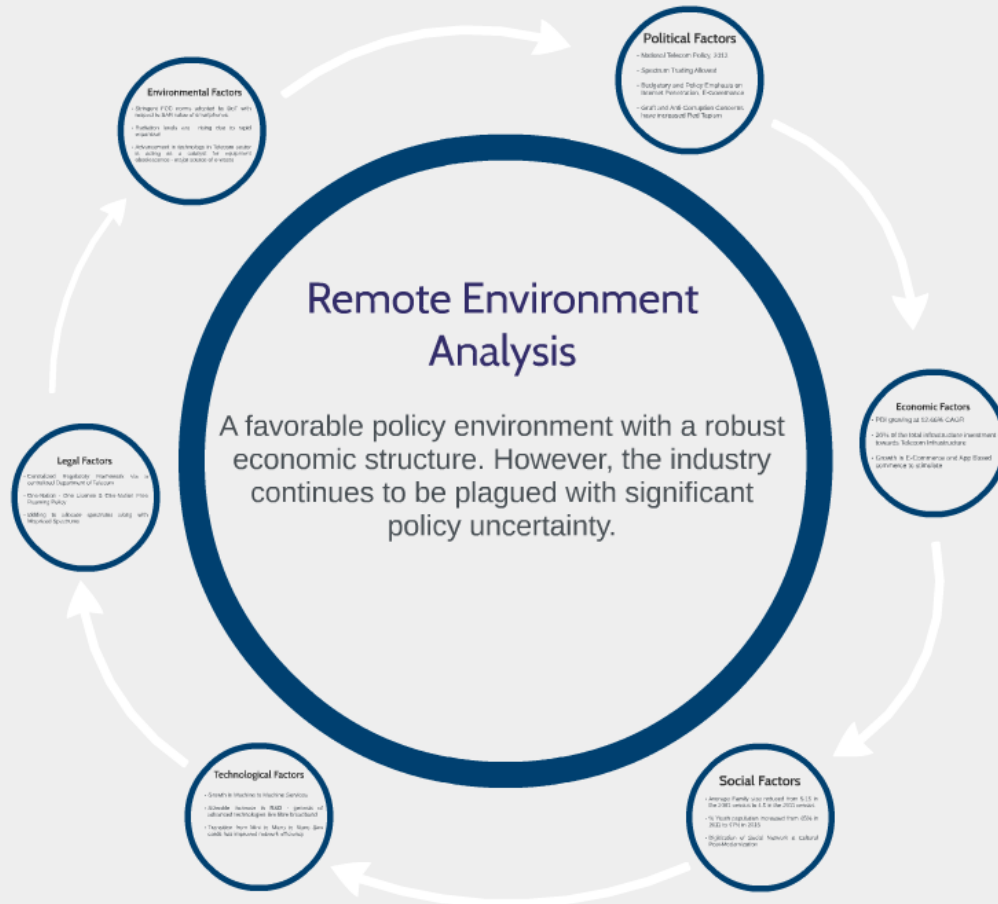
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Evaluating the Telecommunication Industry

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Environment Analysis & Key Trends



Remote Environment Analysis

A favorable policy environment with a robust economic structure. However, the industry continues to be plagued with significant policy uncertainty.

Environmental Factors

- Stringent FCC norms adopted by DoT with respect to SAR value of smartphones.
- Radiation levels are rising due to rapid expansion.
- Advancement in technology in Telecom sector is acting as a catalyst for equipment obsolescence - major source of e-waste.

Political Factors

- National Telecom Policy, 2012
- Spectrum Trading Allowed
- Budgetary and Policy Emphasis on Internet Penetration, E-Governance
- Graft and Anti-Corruption Concerns have increased Red Tapsism

Economic Factors

- PDI growing at 12.66% CAGR
- 20% of the total infrastructure investment - towards Telecom Infrastructure
- Growth in E-Commerce and App Based commerce to stimulate

Social Factors

- Average Family size reduced from 5.15 in the 2001 census to 4.5 in the 2011 census
- % Youth population increased from 65% in 2011 to 67% in 2015
- Digitalization of Social Network & Cultural Post-Modernization

Technological Factors

- Growth in Machine to Machine Services
- Steadily increase in R&D - genesis of advanced technologies like fibre broadband
- Transition from Mini to Micro to Nano Sim cards has improved network efficiency

Legal Factors

- Centralized Regulatory Framework via a centralized Department of Telecom
- One-Nation - One License & One-Nation Free Roaming Policy
- Bidding to allocate spectrum along with Muzical Spectrums

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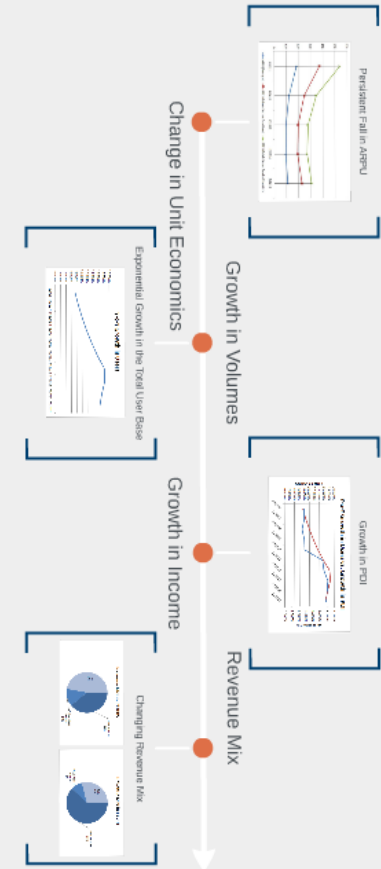
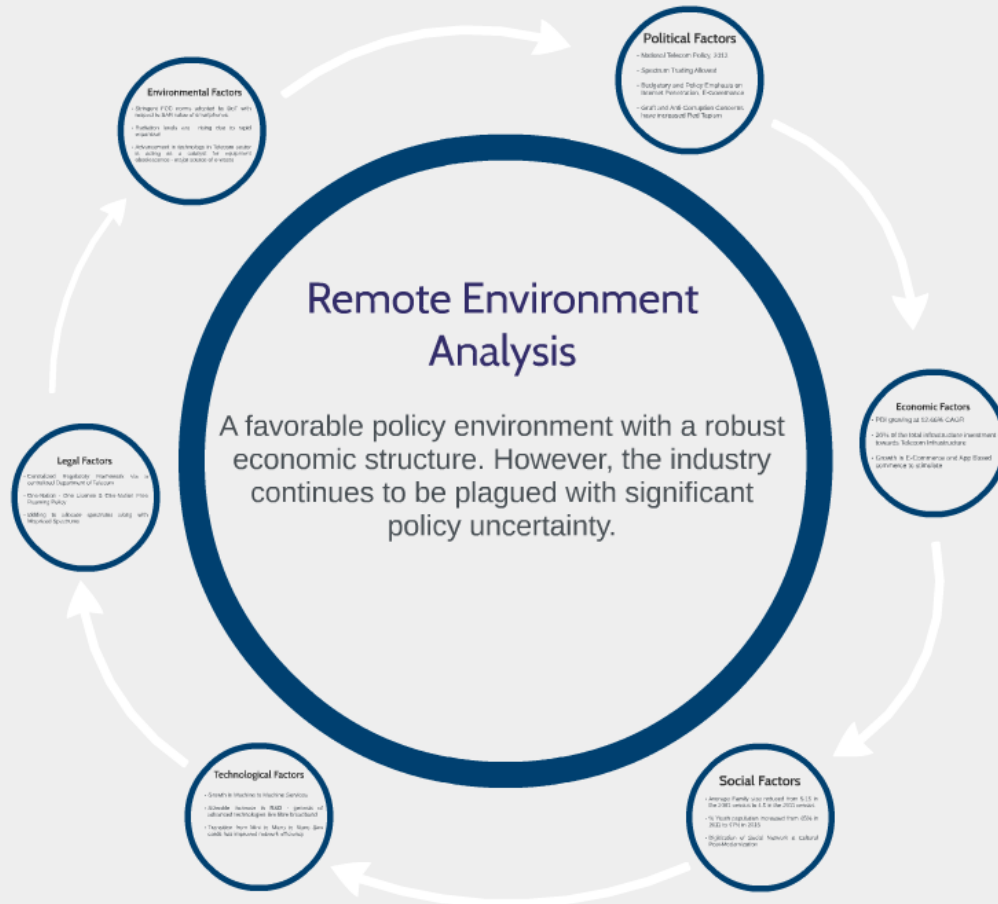
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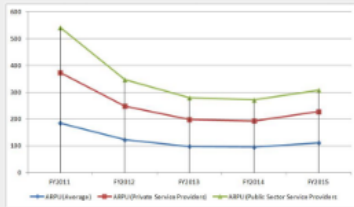
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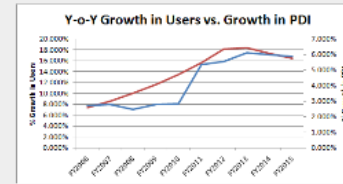
Environment Analysis & Key Trends



Persistent Fall in ARPU



Growth in PDI



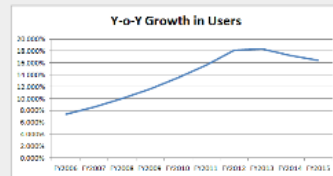
Growth in Volumes

Revenue Mix

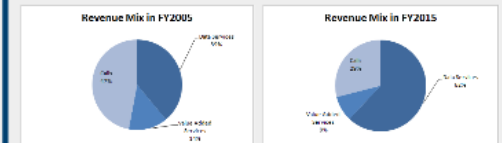
Change in Unit Economics

Growth in Income

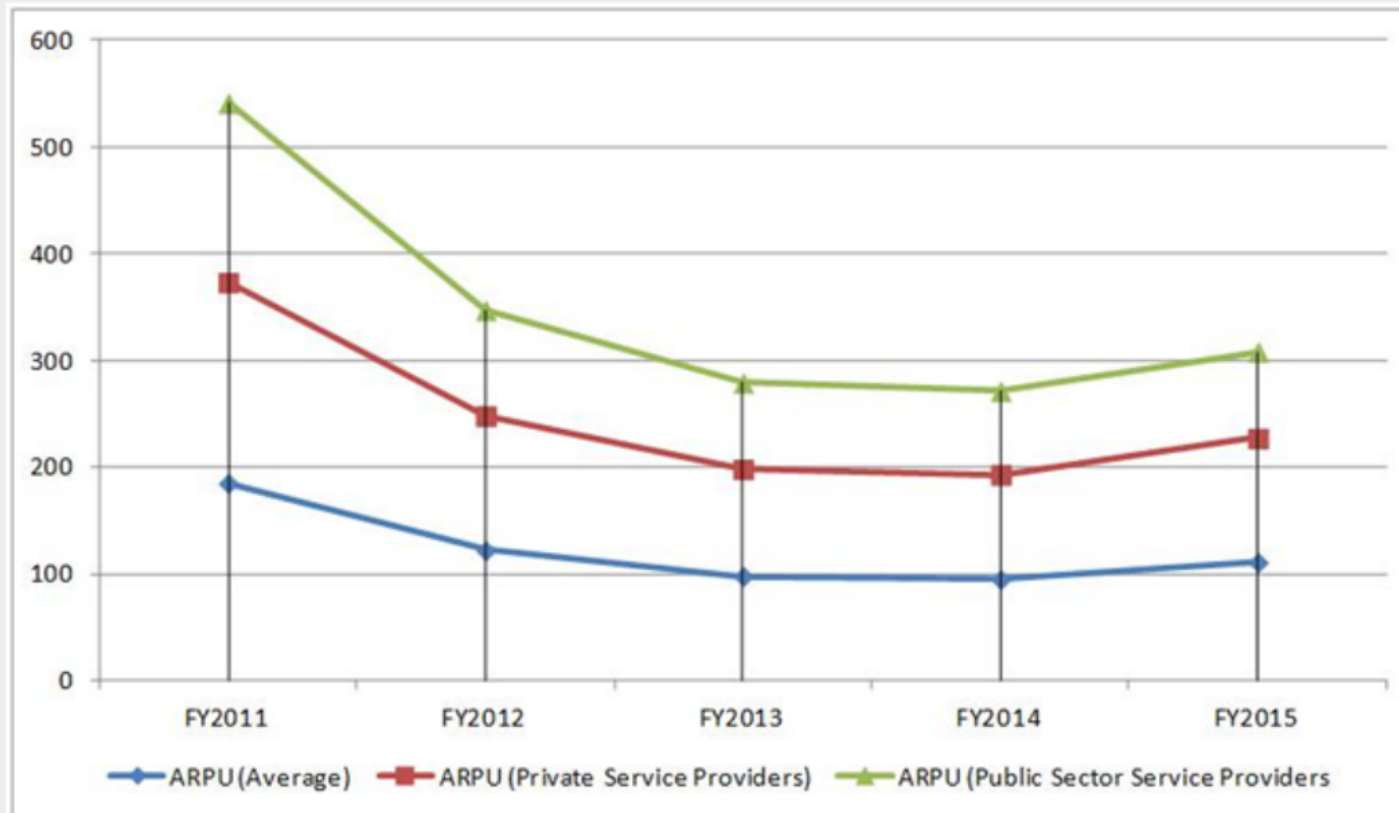
Exponential Growth in the Total User Base



Changing Revenue Mix

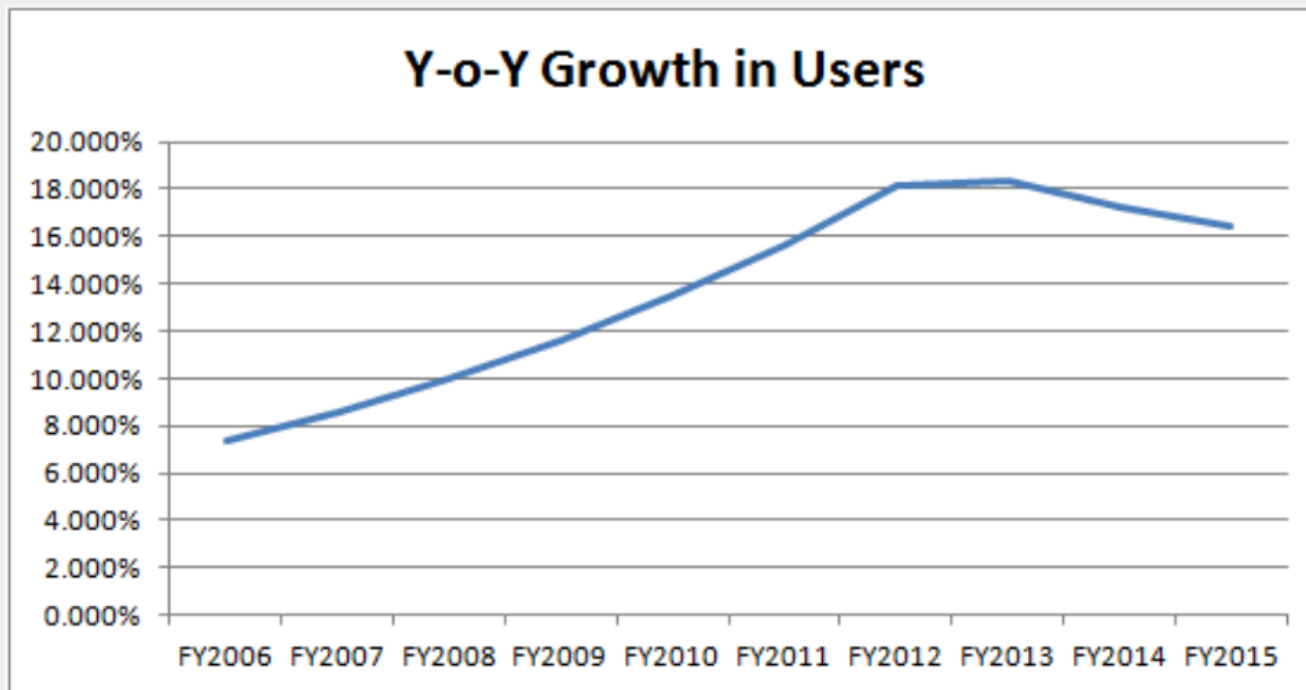


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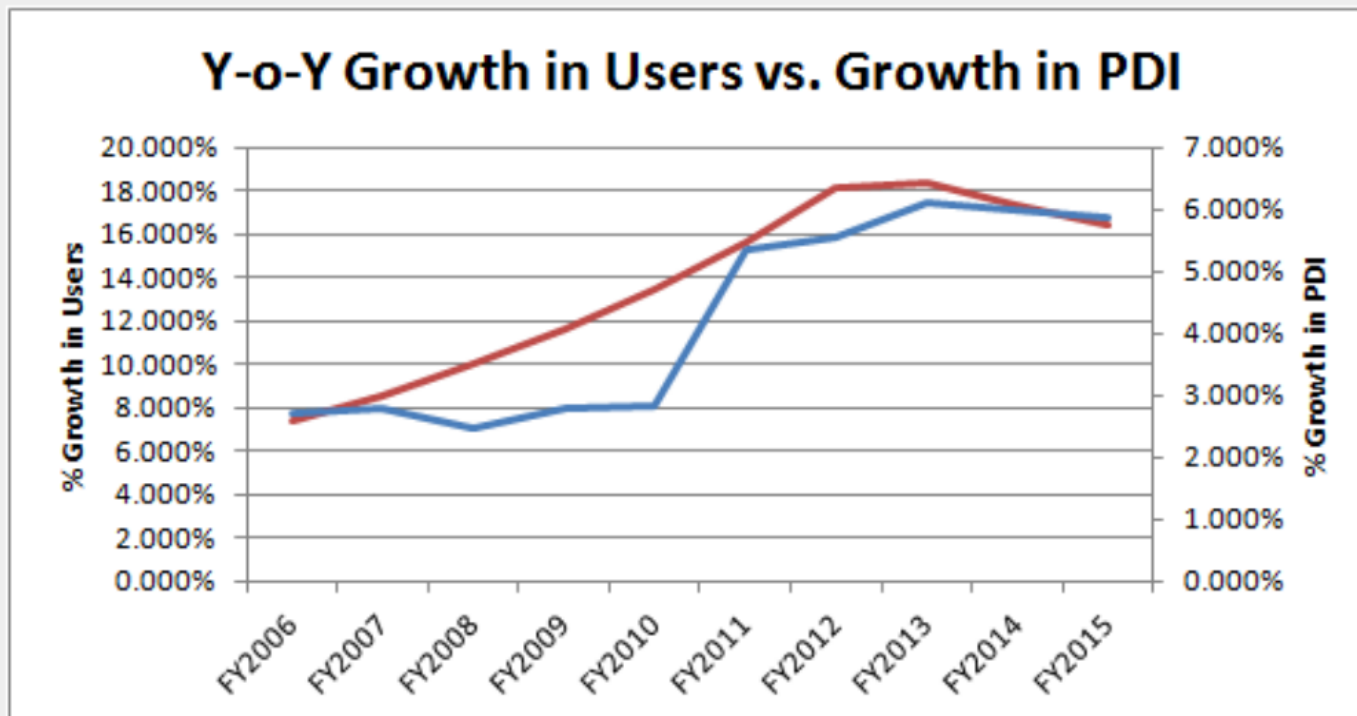


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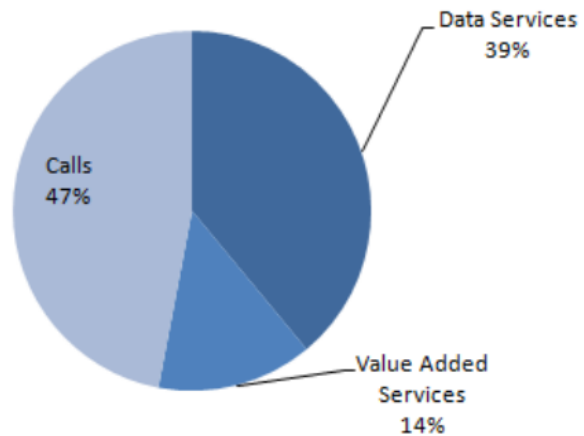


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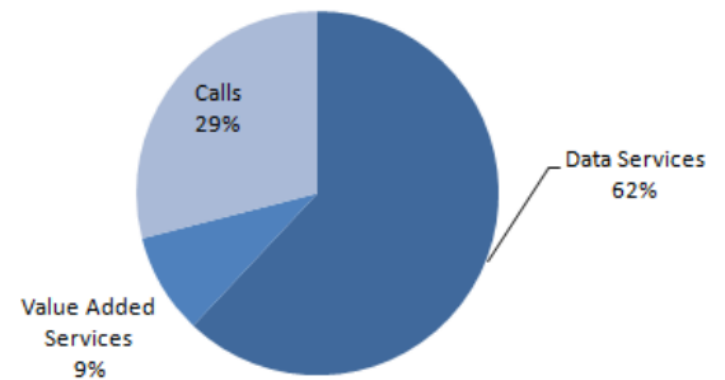


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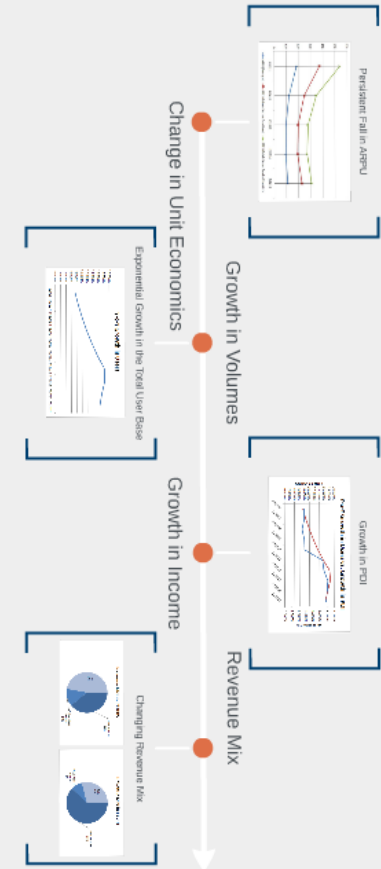
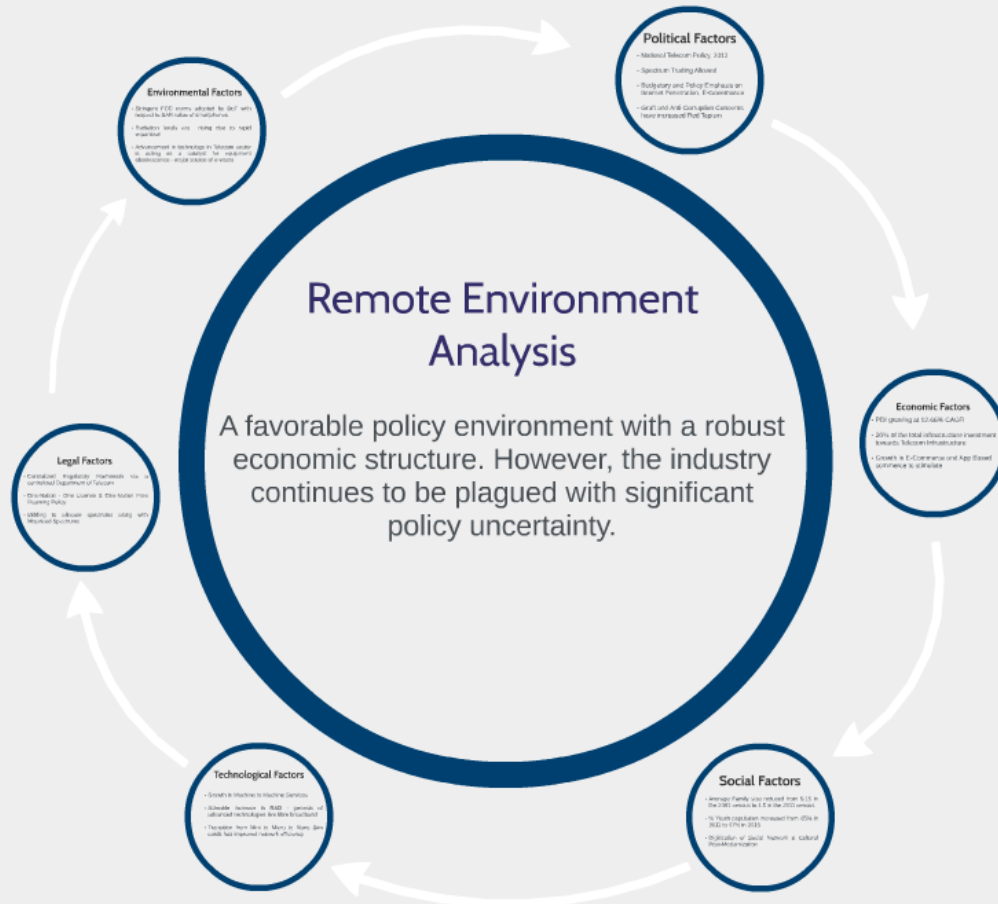
Revenue Mix in FY2005



Revenue Mix in FY2015

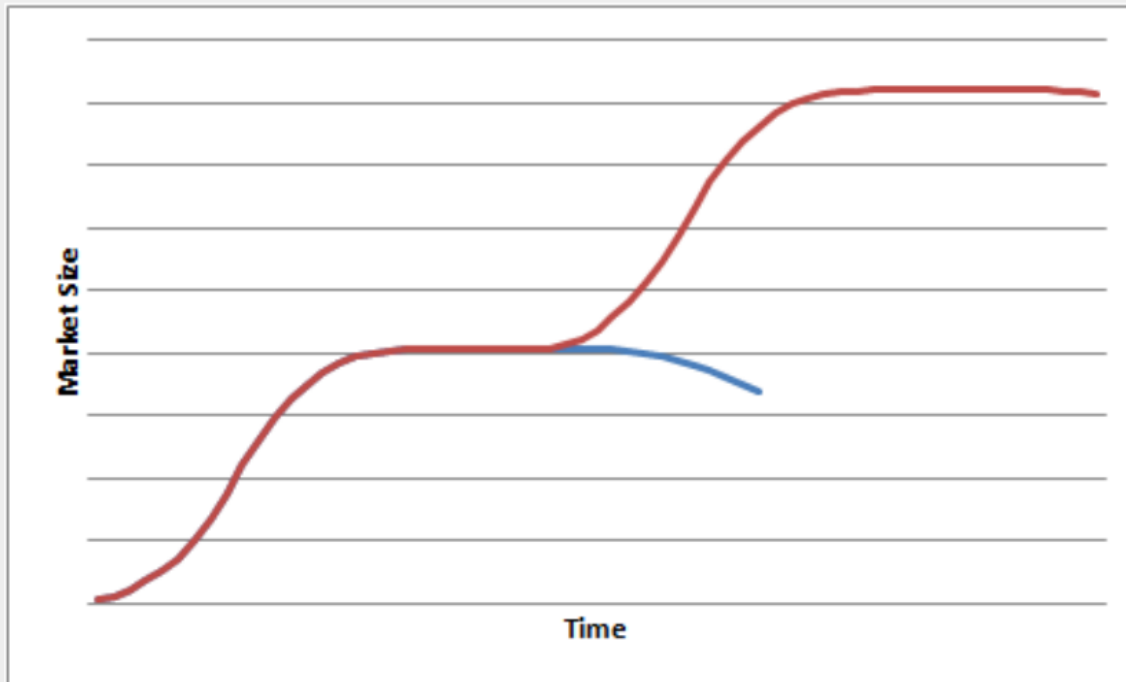


Environment Analysis & Key Trends



Telecommunication Industry: Life Cycle

The Telecom Industry has a unique life-cycle curve by the virtue of being a systematically essential industry for any economy.



- Product Innovation and public investment driven growth post maturity
- A constant process of consolidation and introduction of new SBUs
- The Industry is currently on the verge of moving to the second curve.
- Period market by increased consolidation & new entrants

About Aircel

- Chennai Based Mobile Network Operator (founded: 1999)
- 5th Largest Service Provider with 85 million users
- Market Leader in Tamil Nadu
- Significant Market Share in Orissa, North East and Assam

About Reliance Jio

- Formerly: Infotel Broadband Services
- Specifically Provide Mobile Broadband services (4G)
- Focus on building market share using the LTE Technology
- Also launched Jio net and LYF handsets

Five Forces Analysis: Aircel





Bargaining Power of Suppliers

- Negligible
- Tangible inputs limited to sim cards and telecom infrastructure
- Infra-maintenance outsourced to an unorganized industry
- Highly fragmented sim card industry

Bargaining Power of Buyers

- High Bargaining Power
- Highly Fragmented Buyers' base
- Geographically fragmented consumer profile
- Small ticket size and changing revenue composition
- Low cost of switching for buyers

Threat of New Entrants

- Relatively low on account of high infrastructure costs
- Stringent regulatory barriers with respect to spectrum allocations
- High Exit Barriers

Threat of Substitutes

- Low Threat of Substitutes
- Telecom services are systematically essential
- Limited competition from fixed broadband services and D2H service provider

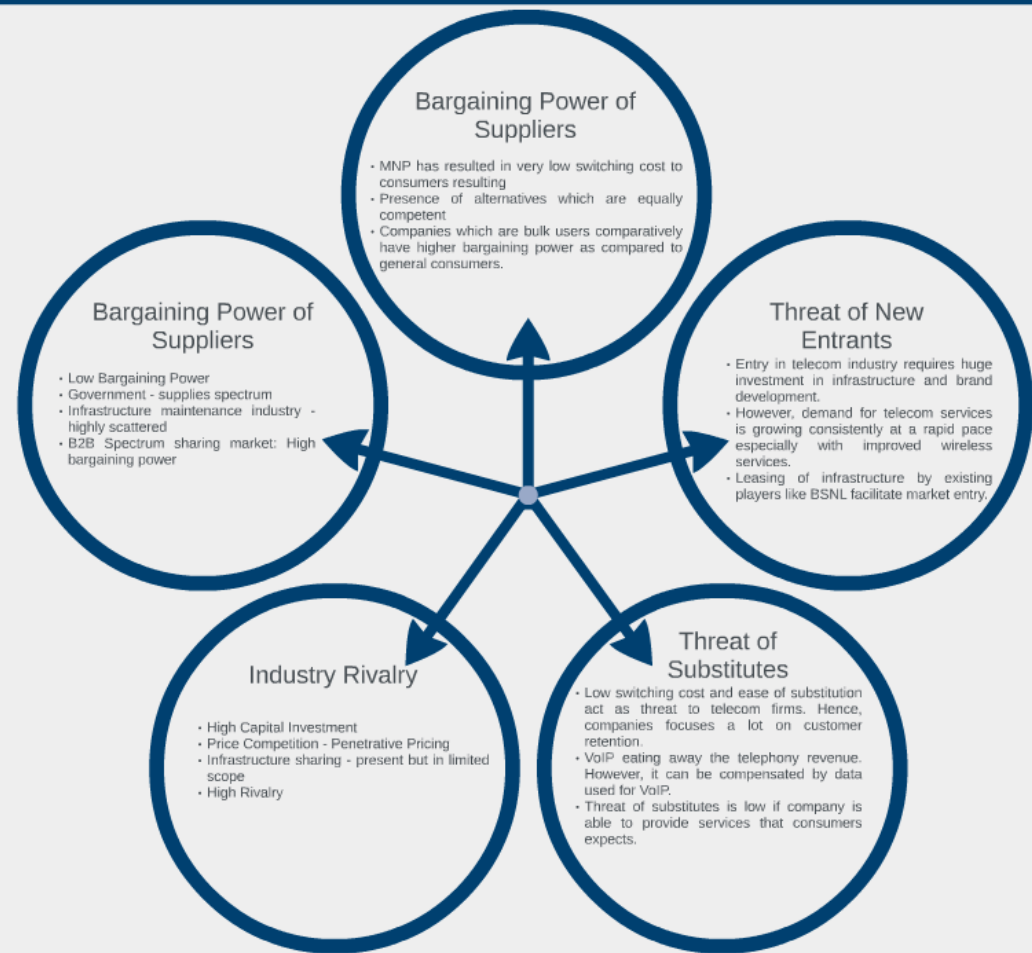
Five Forces Analysis: Aircel



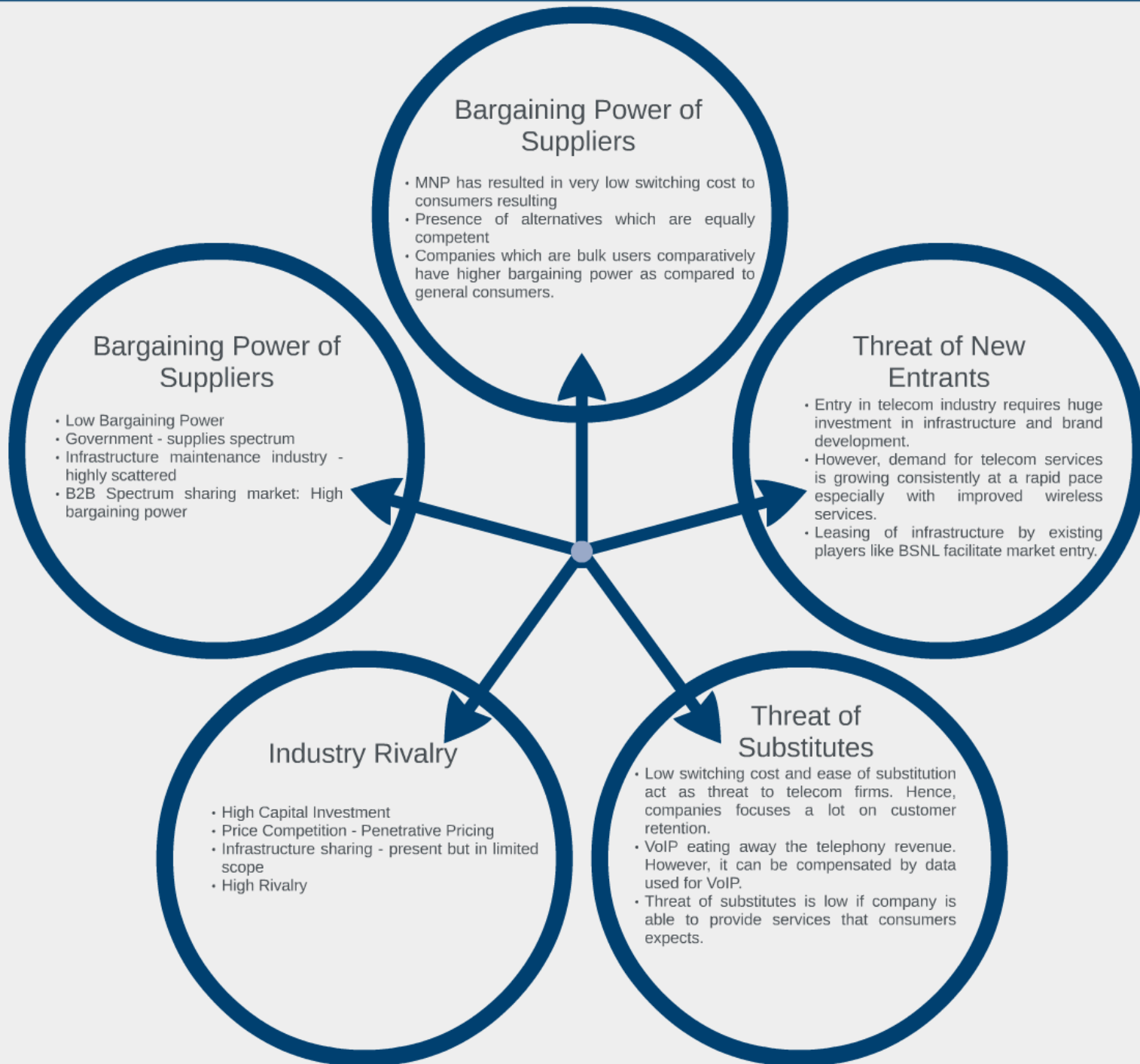
Five Forces Analysis: Reliance Jio



Reliance Jio is a new entrant in the telecom market and with the objective of transforming the telecom landscape in India



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Bargaining Power of Suppliers

- Low Bargaining Power
- Government - supplies spectrum
- Infrastructure maintenance industry - highly scattered
- B2B Spectrum sharing market: High bargaining power

competent
• Companies with
have higher
general cons



Bargaining Power of Suppliers

- MNP has resulted in very low switching cost to consumers resulting
- Presence of alternatives which are equally competent
- Companies which are bulk users comparatively have higher bargaining power as compared to general consumers.

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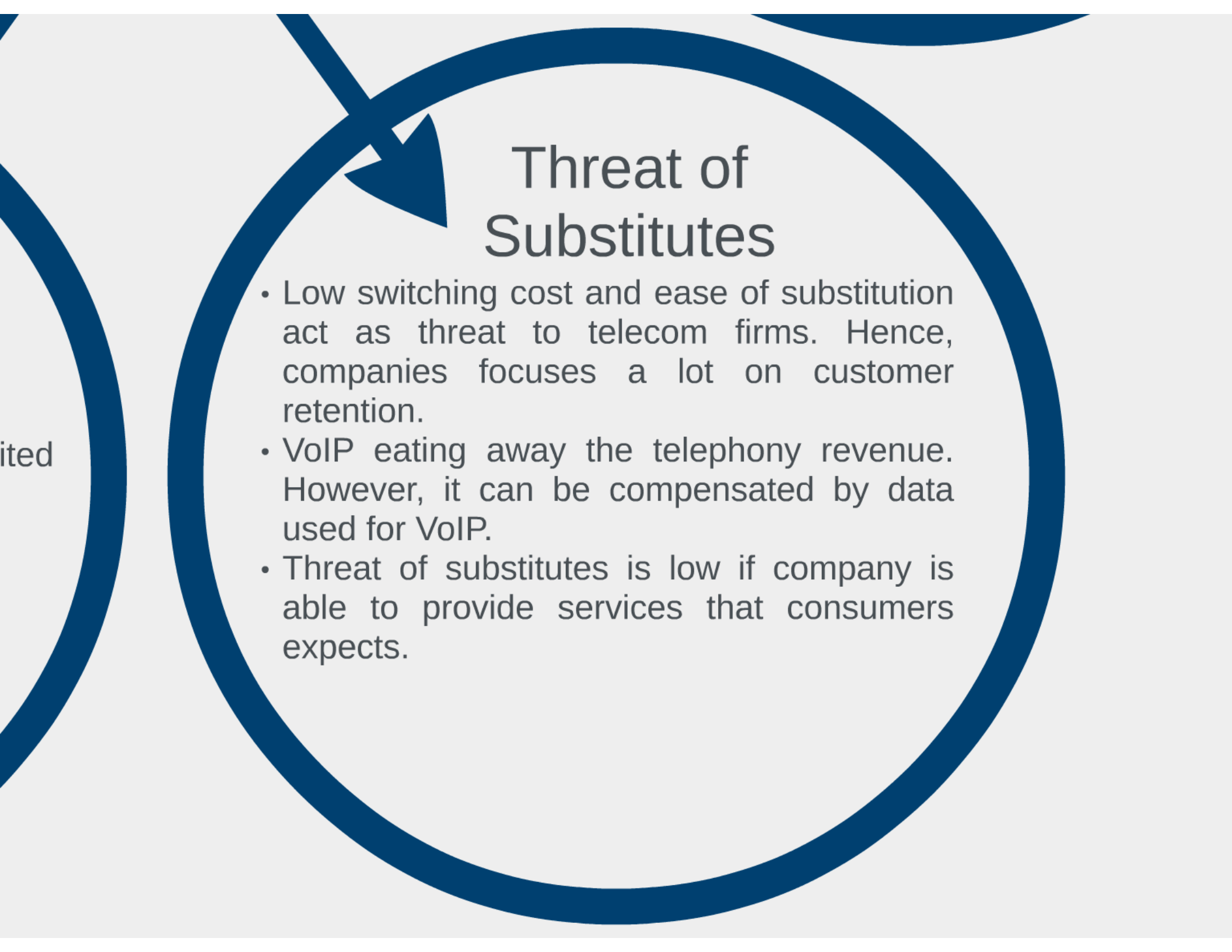
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- Entry in investm

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Threat of New Entrants

- Entry in telecom industry requires huge investment in infrastructure and brand development.
- However, demand for telecom services is growing consistently at a rapid pace especially with improved wireless services.
- Leasing of infrastructure by existing players like BSNL facilitate market entry.



Threat of Substitutes

- Low switching cost and ease of substitution act as threat to telecom firms. Hence, companies focus a lot on customer retention.
- VoIP eating away the telephony revenue. However, it can be compensated by data used for VoIP.
- Threat of substitutes is low if company is able to provide services that consumers expect.



Industry Rivalry

- High Capital Investment
- Price Competition - Penetrative Pricing
- Infrastructure sharing - present but in limited scope
- High Rivalry

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Pan-Industry Consolidation

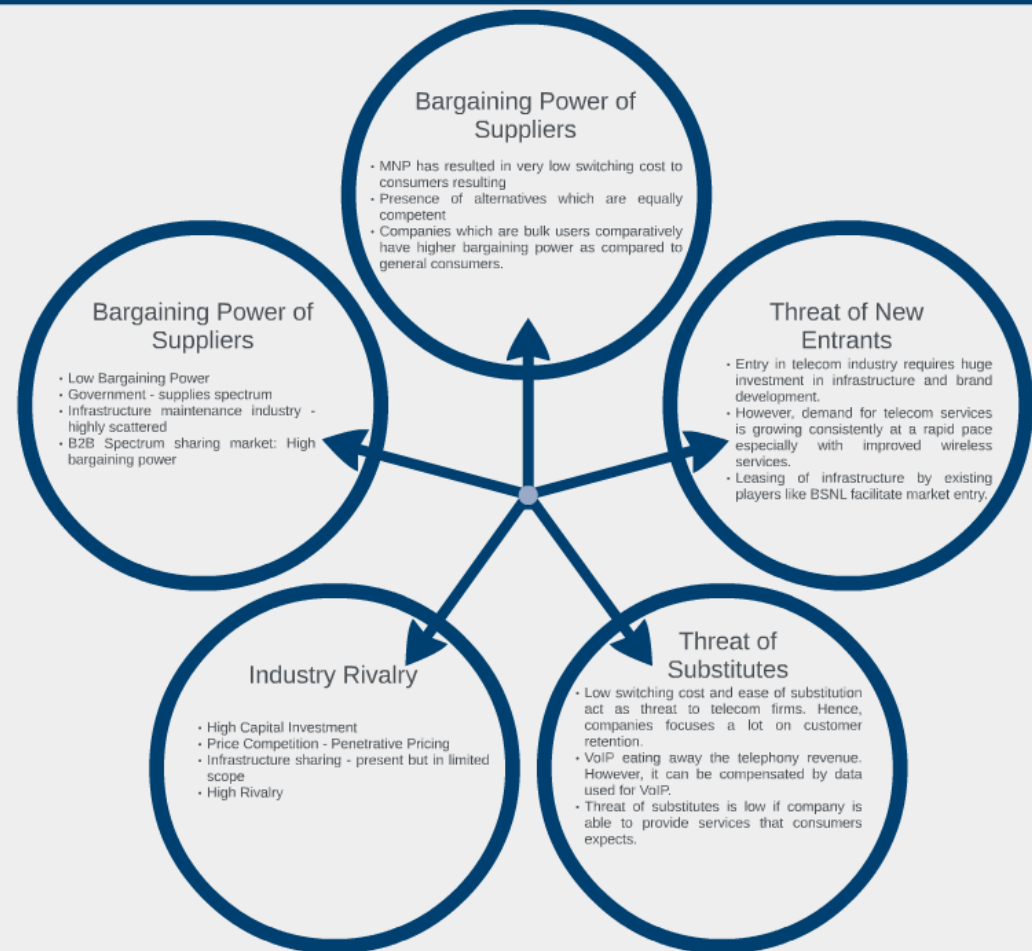
**Infrastructure
Sharing &
Transfers**

Mergers

Five Forces Analysis: Reliance Jio



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**Infrastructure
Sharing &
Transfers**



"Aircel Sells its 4G Spectrum to Airtel in 8 Circles"

Divestment by Aircel

Circles"

Investment by Airtel

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Pan-Industry Consolidation

**Infrastructure
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Mergers

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Mergers

Operator

The Aircel - Reliance Sistema Merger

2nd Largest Mobile Network Operator

Pan-Industry Consolidation

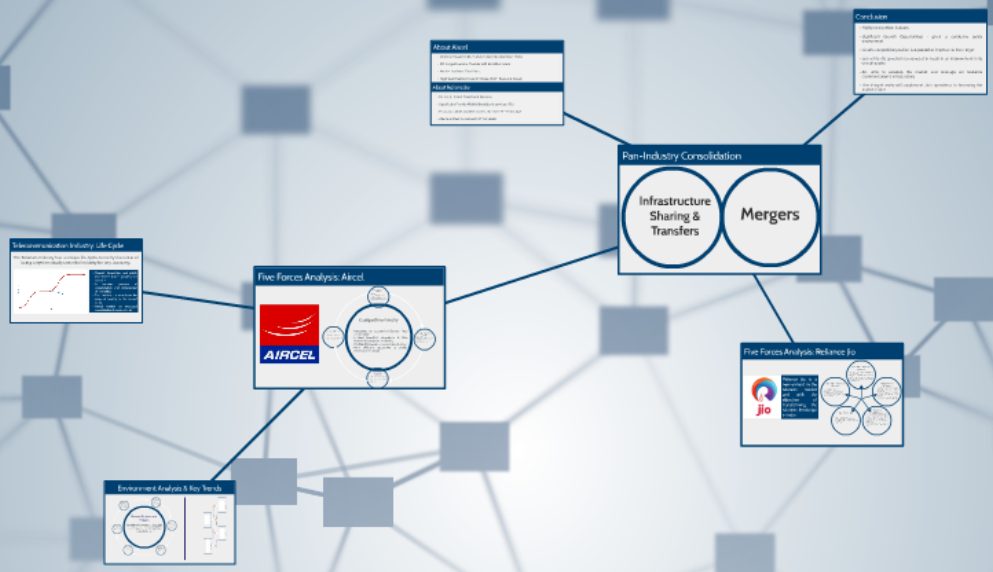
**Infrastructure
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Conclusion

- Highly Competitive Industry
- Significant Growth Opportunities - given a conducive policy environment
- Aircel's competitive position is expected to improve via the merger
- Sale of its 4G spectrum is expected to result in an improvement in its overall quality
- Jio aims to develop the market and leverage on Reliance Communication's infrastructure
- The Merged entity will supplement Jio's operations in becoming the market leader

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