



Annual Report

on

Revenues, ARPUs & Costs

- Private GSM Operators : 2003-04

07th May'2004

Indian Cellular Scenario (Private GSM Operators) – 2003-04
Revenues, ARPUs & Cost of Levies & Duties

1. The industry revenues and ARPUs for January-March 2004 as also the revenues and ARPUs for fiscal 2003-04 are attached as Annexure-1.
2. The total **industry revenues for 2003-04** were around **Rs. 8308 crores**, up from Rs. 6,400 crores in 2002-03, showing an increase of 30% over the year.
3. On the other hand the total cellular subscriber base of the private GSM operators doubled – from 10.1 million subscribers at the end of March 2003 to 20.5 million by the end of March 2004.
4. Thus, the growth of subscribers was not matched with an equivalent / proportionate growth in the industry revenues as more and more marginal / low-end subscribers opted for the service during the year.
5. The **ARPUs** of the private GSM operators **have dropped by 17% in 2003-04** from Rs. 523 per subscriber in Q1 **to Rs. 432 in Q4**. Thus, the affordability of services for subscribers was further enhanced during the year, which in turn fuelled subscriber growth.
6. In fact it is estimated that the number of subscribers with a monthly ARPU of less than Rs. 500 has gone up from 28% in 2002 to 46% in 2003.
7. As a result of the above, the industry is operating on wafer thin margins leaving it with inadequate resources to fund network expansion and growth to remote, rural and unserved areas.
8. Coupled with the low ARPUs, the industry is also been greatly challenged by the high costs of duties & levies that have been imposed on the sector.
9. The industry payout to the Government on account of license fee and spectrum usage charges alone was to the tune of nearly Rs. 1250 crores, of which :
 - The annual license fees paid by the private GSM operators was Rs. 954 crores approximately
 - Payments for spectrum usage are estimated to be around Rs. 290 crores approximately.
10. Further, the operators are burdened with a significant access deficit charge, which is adding to the cost of service.
11. In addition to the above, significant levies were also imposed on the industry on account of sales tax, service tax, import duties on handsets, etc.

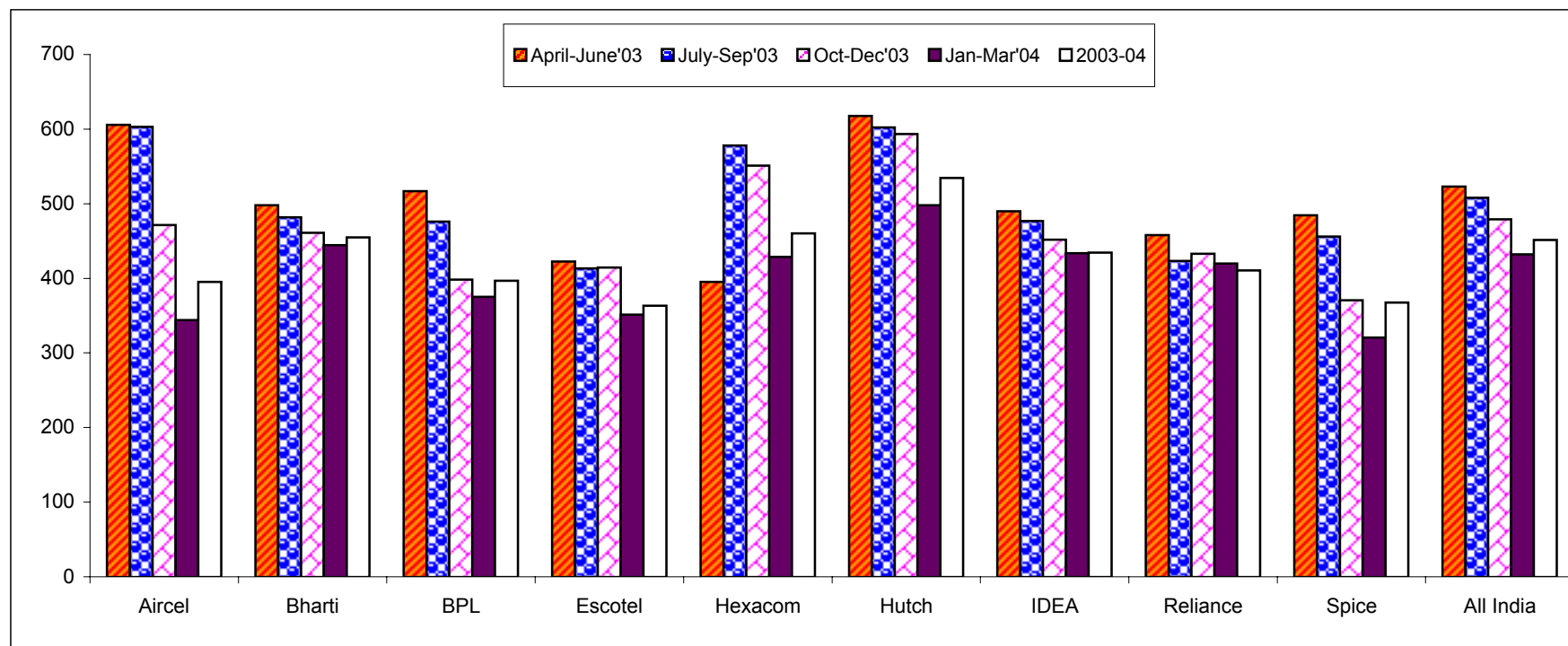
10. In fact it is estimated that the **total burden on the sector on account of the** licence fees, spectrum & access deficit charges imposed by the Government is estimated to be **around 25%**.
11. **This is excluding the burden of sales tax and the effects of other levies** like service tax, import duties, etc.
12. This is **excessive as compared to international practices**. A tabular comparison of various levies applicable in different telecom regimes is given in Annexure-2.
13. The issue of huge levies on the Indian telecom sector needs to be addressed expeditiously if the Indian wireless industry is to realize its true potential.
14. It is thus **important to rationalize the cost structure** of the industry, not only to **bring it in line with best international practices**, but also to **ensure that telecom is not treated as a revenue generator** but as a **critical infrastructure** that is vital for balanced economic growth.
15. In this regard, it is proposed that :
 - **Annual license fees** be rationalized to **cover only contribution to USO and the costs of administering & regulating the sector**. The TRAI in its recent Consultation paper has adopted a similar approach and proposed that annual license fee be pegged at 6% (5% USO + 1% annual levy)
 - **Spectrum usage charges** at 2-6% of revenues are excessive. By applying a higher usage charge on increased revenues tantamounts to a severe double taxation since the percentage charge is being increased for higher bandwidth. **Spectrum usage charges too** should only be prescribed at a level **sufficient only to cover the costs of administering and regulating this resource**.
 - The **Access Deficit** must be **reduced drastically** and be **operated in a transparent manner** through a centralized fund, which could also be the USO Fund.
 - The **import duties on handsets and telecom infrastructure** too have been progressively reduced over the years. It is important this downward rate be maintained and **progressively reduced to zero**.

No.	Company	Service Area	Jan-Mar'04				
			Revenue Share (A)	Total Revenue (B)	Average Monthly Revenue (C)	Average subs (D)	ARPU (E=C/D) (Rs)
1	Aircel Limited	Tamil Nadu	7.07	58.92	19.64	616676	318.46
	Aicel Cellular	Chennai	3.91	32.58	10.86	269544	402.94
Total Revenue/Average monthly ARPU				91.50	30.50	886220	344.16
2	BPL Cellular	Maharashtra	4.39	36.58	12.19	315530	386.47
	BPL Cellular	Tamil Nadu	3.53	29.42	9.81	246667	397.52
	BPL Cellular	Kerala	2.78	27.80	9.27	239716	386.57
	BPL Mobile	Mumbai	11.87	98.92	32.97	910196	362.25
Total Revenue/Average monthly ARPU				192.72	64.24	1712109	375.20
3	Escotel	Kerala	3.76	37.60	12.53	382062	328.04
	Escotel	Haryana	1.65	16.50	5.50	129520	424.64
	Escotel	UP(West)	4.16	41.60	13.87	395882	350.27
Total Revenue/Average monthly ARPU				95.70	31.90	907464	351.53
4	Hexacom India Ltd.	Rajasthan	2.96	29.60	9.87	230215	428.58
Total Revenue/Average monthly ARPU				29.60	9.87	230215	428.58
5	Idea Cellular	Maharashtra	14.3	119.17	39.72	925311	429.29
	Idea Cellular	AP	7.08	59.00	19.67	435758	451.32
	Idea Cellular	Gujarat	6.4	53.33	17.78	385981	460.59
	Idea Cellular	MP	3.45	34.50	11.50	278746	412.56
	Idea Cellular	Delhi	6.91	57.58	19.19	461260	416.13
Total Revenue/Average monthly ARPU				323.58	107.86	2487056	433.69
6	HMTL	Mumbai	23.24	193.67	64.56	1061294	608.27
	Fascel	Gujarat	15.83	131.92	43.97	881894	498.61
	Hutchison Essar	Delhi	19.51	162.58	54.19	1114211	486.39
	Hutchison Telecom	Kolkata	7.72	64.33	21.44	476035	450.48
	Hutchison Essar	Chennai	2.72	22.67	7.56	148998	507.09
	Hutchison Essar	AP	2.68	22.33	7.44	169636	438.85
	Hutchison Essar	Karnataka	4.95	41.25	13.75	278940	492.94
7	ADIL	Haryana	0.41	4.10	1.37	43,267	315.87
	ADIL	Rajasthan	1.09	10.90	3.63	89,910	404.11
	ADIL	UP (East)	3.81	38.10	12.70	368,076	345.04
Total Revenue/Average monthly ARPU				691.85	230.62	4,632,261	497.85
8	Spice	Punjab	7.64	76.40	25.47	835732	304.72
	Spice	Karnataka	3.88	32.33	10.78	295066	365.27
Total Revenue/Average monthly ARPU				108.73	36.24	1130798	320.52
9	Bharti Cellular	Delhi	26.97	224.75	74.92	1348558	555.53
	Bharti Telenet Ltd.	H.P	0.62	7.75	2.58	74358	347.42
	Bharti Mobile Ltd.	A.P.	9.39	78.25	26.08	568817	458.55
	Bharti Mobile Ltd.	Karnataka	14.49	120.75	40.25	727853	553.00
	Bharti Cellular LTd.	Kolkata	5.28	44.00	14.67	337792	434.19
	Bharti Cellular	Chennai	6.03	50.25	16.75	340112	492.48
	Bharti Mobile Ltd.	Punjab	9.25	92.50	30.83	797485	386.63
	Bharti Cellular	Mumbai	6.96	58.00	19.33	517748	373.41
	Bharti Cellular	UP(W)	1.61	16.10	5.37	187630	286.02
	Bharti Cellular	MP	0.89	8.90	2.97	104729	283.27
	Bharti Cellular	Haryana	1.4	14.00	4.67	135264	345.00
	Bharti Cellular	Kerala	1.48	14.80	4.93	161176	306.08
	Bharti Cellular	TN	1.96	16.33	5.44	201203	270.59
	Bharti Cellular	Maharashtra	4.3	35.83	11.94	309882	385.45
	Bharti Cellular	Gujarat	2.17	18.08	6.03	189836	317.53
Total Revenue/Average monthly ARPU				800.30	266.77	6002443	444.43
10	Reliance	M.P	2.15	21.50	7.17	215232	332.97
	Reliance	Orissa	0.96	12.00	4.00	96970	412.50
	Reliance	HP	0.11	1.38	0.46	12270	373.54
	Reliance	WB	1.48	18.50	6.17	101430	607.97
	Reliance	Assam	0.7	8.75	2.92	51189	569.78
	Reliance	NE	0.13	1.63	0.54	10293	526.25
	Reliance	Bihar	2.28	28.50	9.50	245221	387.41
Total Revenue/Average monthly ARPU				92.25	30.75	732605	419.74
All India			278.31	2426.23	808.74	18,721,251	431.99

* AGR - Adjusted Gross Revenue as defined by DoT

ARPU - FY 2003-04

	April-June'03	July-Sep'03	Oct-Dec'03	Jan-Mar'04	2003-04
Aircel	605.8	602.87	471.46	344.16	395.35
Bharti	497.92	481.63	461.01	444.43	454.98
BPL	516.81	476.06	398.44	375.2	396.82
Escotel	422.54	413.24	414.6	351.53	363.20
Hexacom	395.13	577.98	550.98	428.58	460.31
Hutch	617.68	602.33	593.51	497.85	534.43
IDEA	489.73	476.96	451.97	433.69	434.54
Reliance	457.92	423.18	432.93	419.74	410.56
Spice	484.58	456.19	370.65	320.52	367.34
All India	523.03	507.97	479.15	431.99	451.35



April'03 - Mar'04							
No.	Company	Service Area	Revenue Share (A)	Total Revenue (B)	Average Monthly Revenue (C)	Average subs (D)	ARPU (E=C/D) (Rs)
1	Aircel Limited	Tamil Nadu	25.13	209.42	17.45	471575	370.07
	Aicel Cellular	Chennai	15.73	131.08	10.92	246145	443.79
Total Revenue/Average monthly ARPU				340.50	28.38	717720	395.35
2	BPL Cellular	Maharashtra	15.70	130.83	10.90	281737	386.98
	BPL Cellular	Tamil Nadu	12.95	107.92	8.99	219492	409.72
	BPL Cellular	Kerala	8.02	80.20	6.68	212421	314.63
	BPL Mobile	Mumbai	47.84	398.67	33.22	793370	418.75
Total Revenue/Average monthly ARPU				717.62	59.80	1507020	396.82
3	Escotel	Kerala	13.29	132.90	11.08	338024	327.64
	Escotel	Haryana	5.80	58.00	4.83	113894	424.37
	Escotel	UP(West)	15.25	152.50	12.71	335982	378.24
Total Revenue/Average monthly ARPU				343.40	28.62	787900	363.20
4	Hexacom India Ltd.	Rajasthan	10.75	107.50	8.96	194616	460.31
Total Revenue/Average monthly ARPU				107.50	8.96	194616	460.31
5	Idea Cellular	Maharashtra	45.91	382.58	31.88	704974	452.24
	Idea Cellular	AP	25.15	209.58	17.47	403834	432.49
	Idea Cellular	Gujarat	22.32	186.00	15.50	330903	468.42
	Idea Cellular	MP	10.79	107.90	8.99	233056	385.82
	Idea Cellular	Delhi	19.23	160.25	13.35	333796	400.07
Total Revenue/Average monthly ARPU				1046.32	87.19	2006563	434.54
6	HMTL	Mumbai	90.76	756.33	63.03	890976	707.40
	Fascel	Gujarat	55.05	458.75	38.23	701603	544.88
	Hutchison Essar	Delhi	68.87	573.92	47.83	903915	529.10
	Hutchison Telecom	Kolkata	28.82	240.17	20.01	393654	508.41
	Hutchison Essar	Chennai	7.74	64.50	5.38	115784	464.23
	Hutchison Essar	AP	7.29	60.75	5.06	125806	402.41
	Hutchison Essar	Karnataka	12.99	108.25	9.02	195750	460.83
7	ADIL	Haryana	0.87	8.73	0.73	39065	186.23
	ADIL	Rajasthan	2.29	22.87	1.91	80757	236.00
	ADIL	UP (East)	10.90	108.97	9.08	300022	302.67
Total Revenue/Average monthly ARPU				2403.24	200.27	3747332	534.43
8	Spice	Punjab	28.17	281.70	23.48	663373	353.87
	Spice	Karnataka	15.10	125.83	10.49	261132	401.56
Total Revenue/Average monthly ARPU				407.53	33.96	924505	367.34
9	Bharti Cellular	Delhi	95.64	797.00	66.42	1134235	585.56
	Bharti Telenet Ltd.	H.P	2.22	27.75	2.31	55935	413.43
	Bharti Mobile Ltd.	A.P.	29.75	247.92	20.66	470282	439.30
	Bharti Mobile Ltd.	Karnataka	46.81	390.08	32.51	569331	570.97
	Bharti Cellular LTd.	Kolkata	18.06	150.50	12.54	273603	458.39
	Bharti Cellular	Chennai	21.22	176.83	14.74	295113	499.34
	Bharti Mobile Ltd.	Punjab	27.93	279.30	23.28	596357	390.29
	Bharti Cellular	Mumbai	21.67	180.58	15.05	400261	375.97
	Bharti Cellular	UP(W)	5.32	53.20	4.43	145857	303.95
	Bharti Cellular	MP	2.63	26.30	2.19	80705	271.57
	Bharti Cellular	Haryana	4.45	44.50	3.71	106459	348.33
	Bharti Cellular	Kerala	4.20	42.00	3.50	124257	281.67
	Bharti Cellular	TN	5.77	48.08	4.01	150241	266.70
	Bharti Cellular	Maharashtra	11.90	99.17	8.26	237527	347.91
	Bharti Cellular	Gujarat	6.10	50.83	4.24	147722	286.76
Total Revenue/Average monthly ARPU				2614.05	217.84	4787885	454.98
10	Reliance	M.P	7.81	78.10	6.51	194241	335.06
	Reliance	Orissa	3.14	39.25	3.27	84072	389.05
	Reliance	HP	0.47	5.88	0.49	11414	428.93
	Reliance	WB	4.97	62.13	5.18	91873	563.50
	Reliance	Assam	2.41	30.13	2.51	53775	466.84
	Reliance	NE	0.52	6.50	0.54	9529	568.44
	Reliance	Bihar	8.49	106.13	8.84	221062	400.06
Total Revenue/Average monthly ARPU				328.10	27.34	665966	410.56
All India			954.19	8308.25	692.35	15339518	451.35

* AGR - Adjusted Gross Revenue as defined by D

TYPES OF TAXES ON THE TELECOM INDUSTRY – AN INTERNATIONAL COMPARISON

ITU, REGIONAL WORKING GROUP FORUM, APRIL 2004, NEW DELHI

I. ANNUAL LICENSE FEE

Malaysia	Hong Kong	Sri Lanka	India	Pakistan	South Africa	Brazil	Canada
0.5% of Gross Annual Turnover or RM 50,000 -year whichever is higher	2G: 20 HK\$ per subscriber per year (Effective from 1st May '04)	0.36% of gross revenue	8 to 12% of Revenue	2.5%	5% of Net operational Income	NO Annual License Fee. Only service tax/VAT is levied	The annual fees is equal to the aggregate of: the cost of the Commission's telecommunications activity; the share of the costs of the administrative activities that is attributable to its telecommunications activity;

Source : ITU, Regional Working Group Forum, April 26-27, 2004, New Delhi

II. SPECTRUM CHARGES

China	Singapore	Malaysia	Hong Kong	India	Sri Lanka	Pakistan	Brazil	South Africa
15 million RMB yuan per MHz (both downlink and uplink) from operator (From July 1, 2002)	A. \$ 300 per 25khz B. S\$ 12,000 for the 1st MHz occupied bandwidth & S\$ 300 for subsequent MHz of the occupied bandwidth	For Individual License not exceeding RM5,000.00 per application; No Fee for Class Assignment	The reserve price is 5% of network turnover, subject to an annual minimum payment of HK\$50 million for each of the first five years, and rising annual payments from year six onwards during the 15-year license period.	2 % Upto 6.2 Mhz; 3 % for 6.2 to 8Mhz; 4 % for 8 to 10 Mhz, Above 10.0 MHZ, additional 1% levied for every 2.50 Mhz	Sri Lankan Rs 60 per Khz	0.5 % of AGR as annual regulatory fee	Zero	1800MHz and 2,4GHz spectrums at Rand 100,000 a year for each frequency pair used, plus a R5m annual radio frequency spectrum license

Source : ITU, Regional Working Group Forum, April 26-27, 2004, New Delhi

III. IMPORT DUTIES

A. Import Duties on Handsets

China	Singapore	Malaysia	Hong Kong	Sri Lanka	India	Pakistan
10%	Zero	Zero	Zero	Zero	5%	Zero

B. Import Duties on Infrastructure

China	India	Singapore	Malaysia	Hong Kong	Pakistan
5-10%	16%	Zero	Zero	Neg.	10%

Source : ITU, Regional Working Group Forum, April 26-27, 2004, New Delhi