



The Indian Cellular Industry - An Overview

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September 20, 2005 @ India Mobile Day 2005

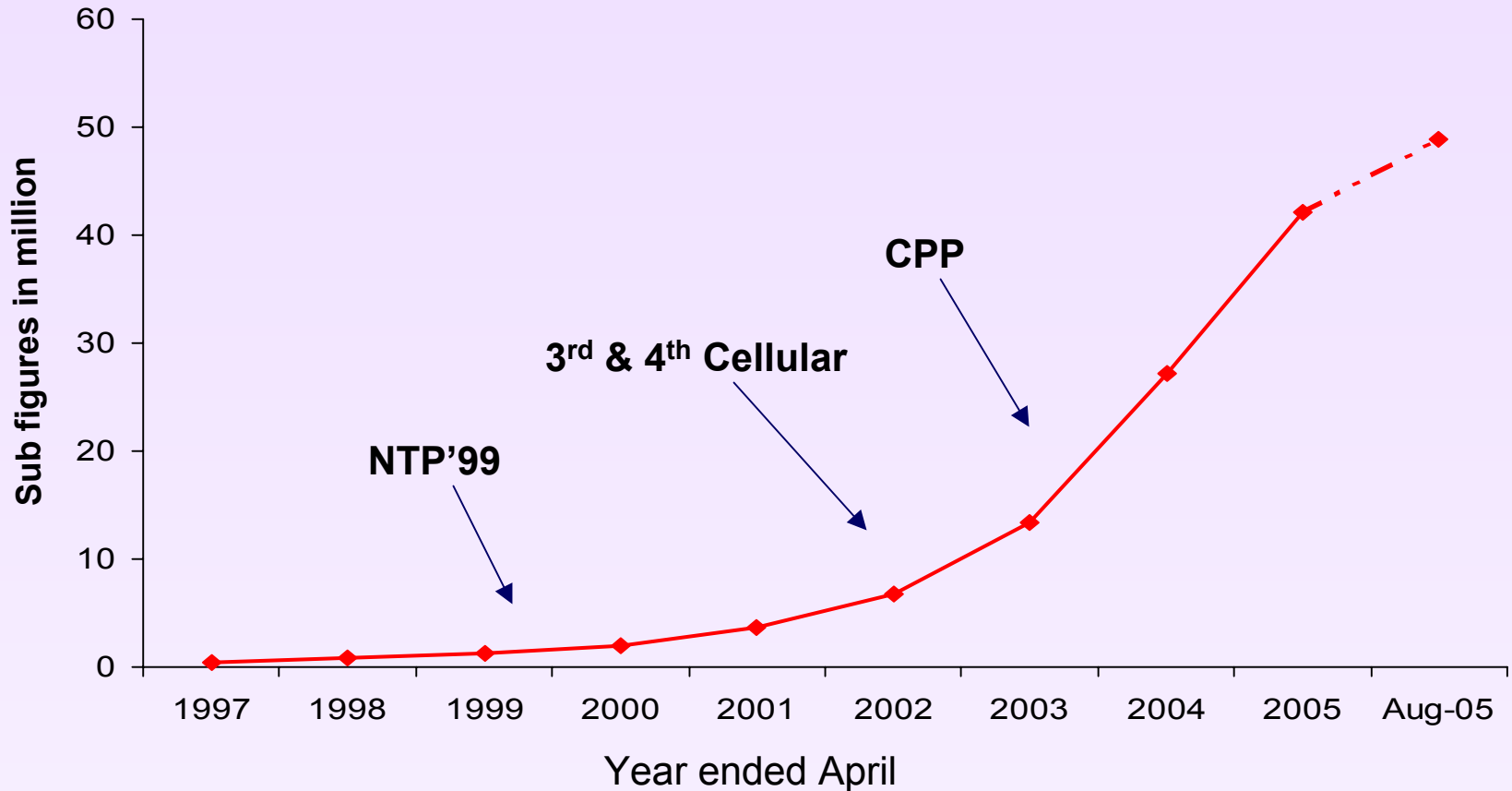


Where Are We Today...

- ★ Cellular services started in India in 1995; GSM was the mandated standard.
- ★ Above Government decision proved to be beneficial for India as GSM has been established as the dominant standard.
- ★ As of August 2005, there were nearly 50 million GSM subscribers which constitutes 80% of the total cellular subs.
- ★ The month of July and August witnessed record growth in GSM subscriber addition of about 2 million.
- ★ 75% of the new mobile subscribers in India choose GSM.
- ★ There are 83 state-of-the art Networks of GSM.
- ★ Roll out of services in more than 4,000 town & cities and more than 60,000 villages.
- ★ Total Private GSM Investments are over Rs 50,000 crores.

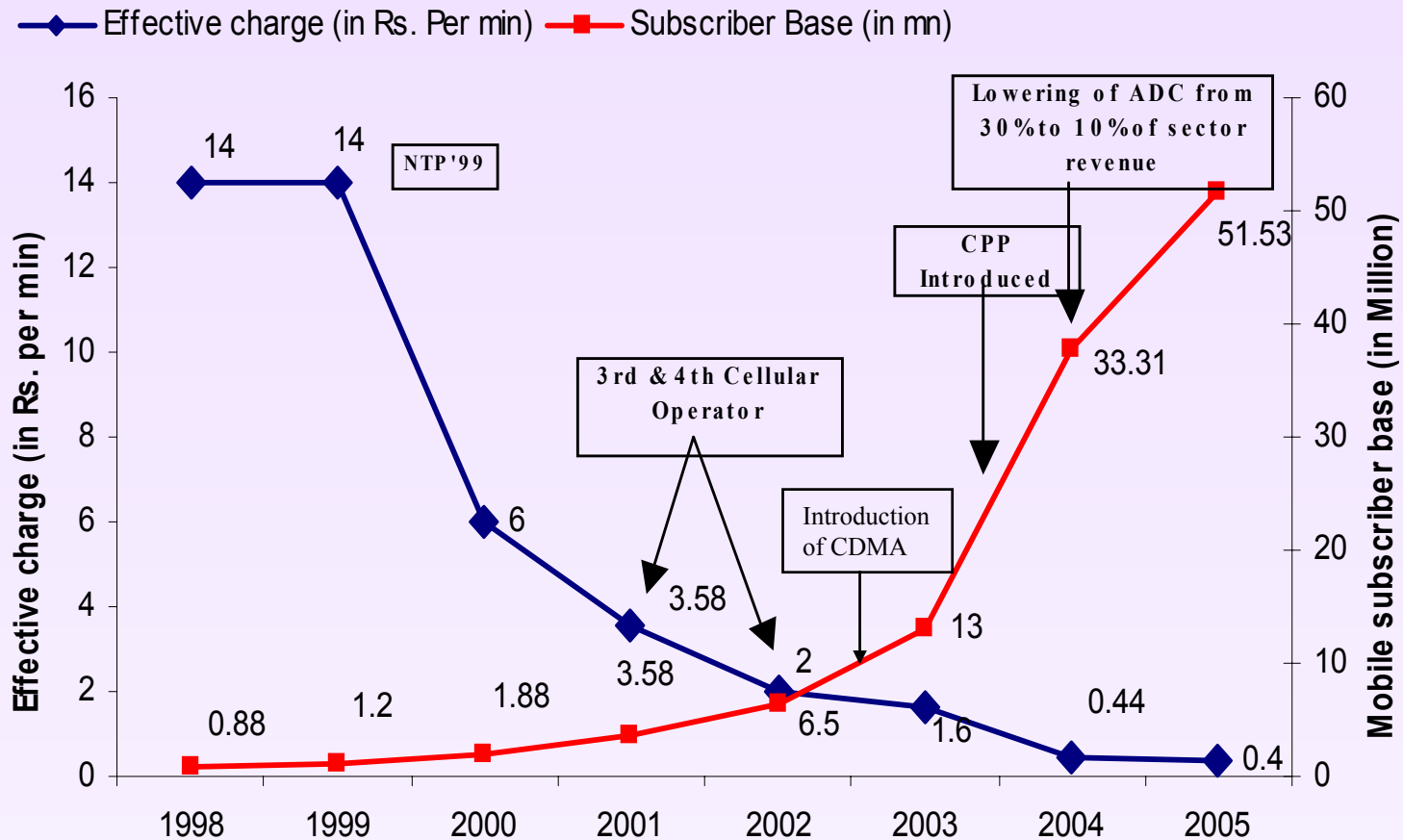
GSM-Fixed Crossover achieved in April 2005.

GSM Growth Through the Years



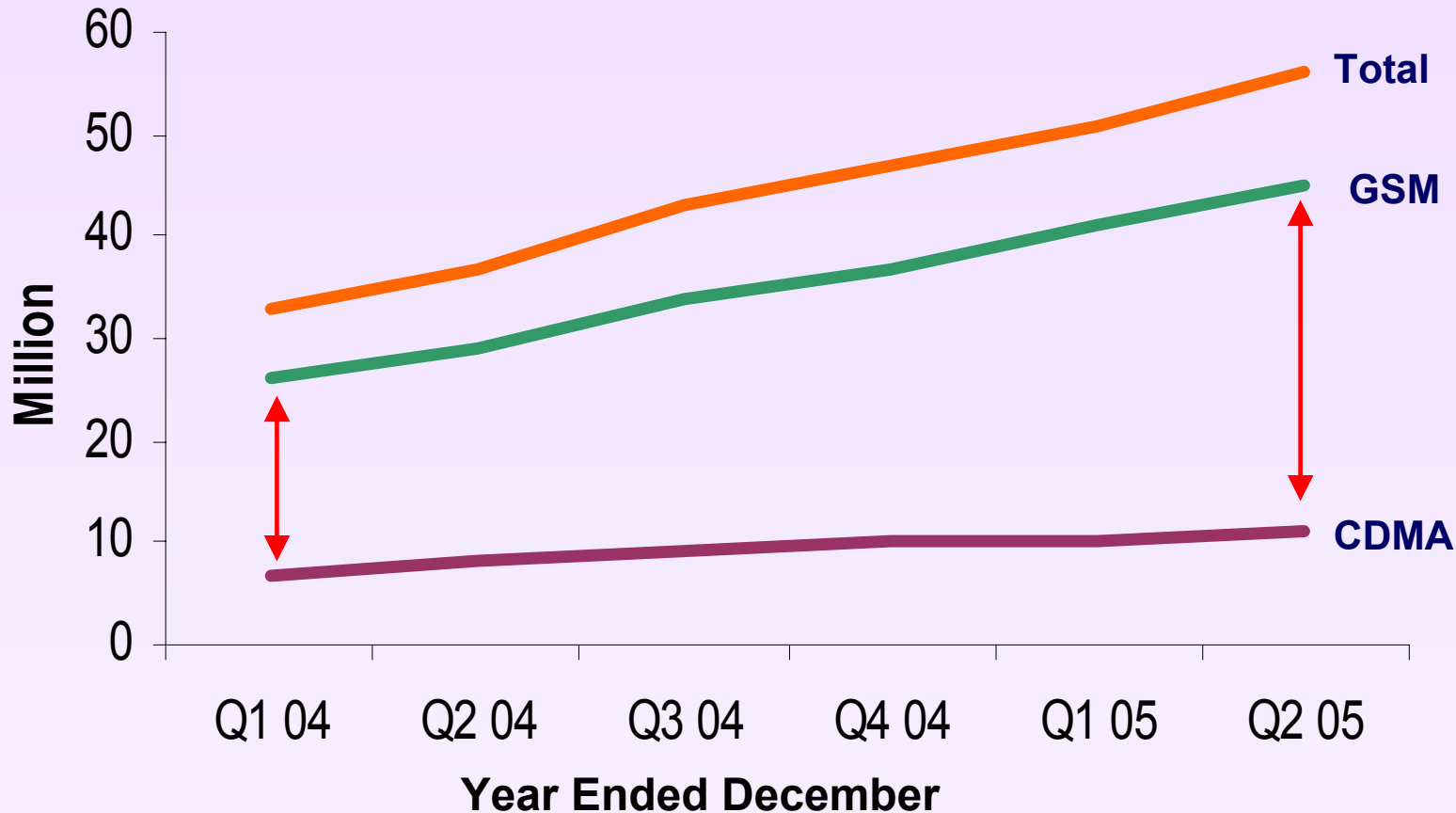
Several points of inflexion in the past, have given kick-start to improved cellular growth

Steeply falling tariffs have ensured affordable services to a large subs base





GSM - the Primary Driver of Growth



Market share of GSM continues to rise steadily

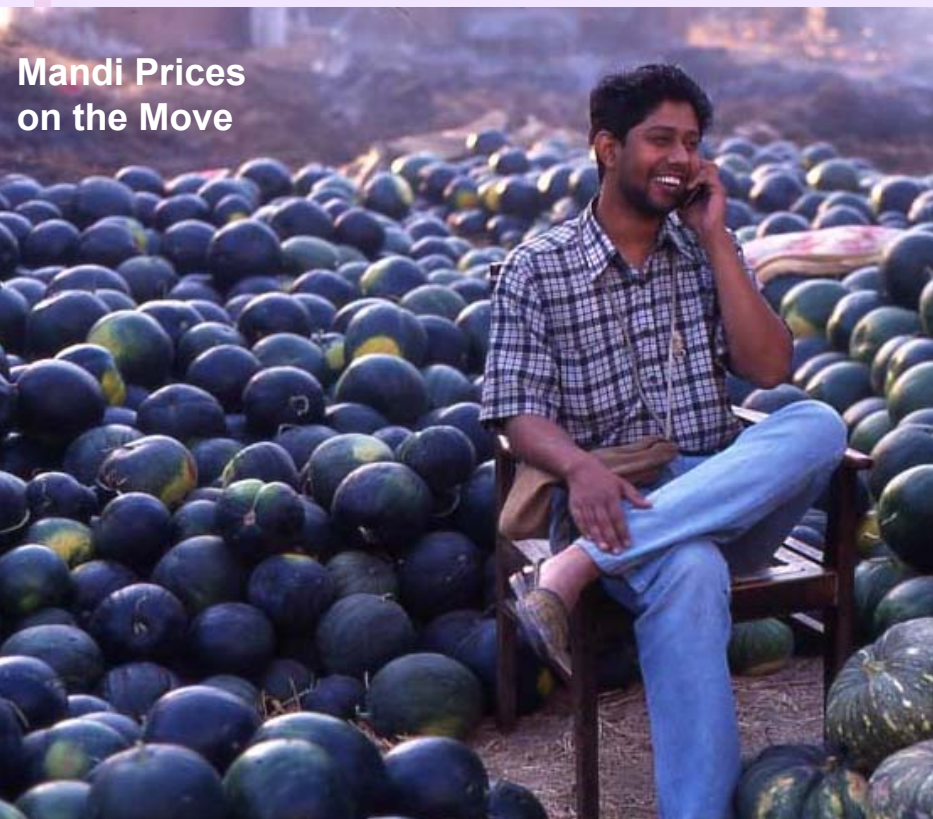
GSM Penetration to the Common Man

Mobile has fast moved from a class service to a mass service for the common man – fuelled by continuously falling tariffs and increased coverage.



GSM Penetration to the Common Man

Affordability has made mobile services the key plank for economic development.



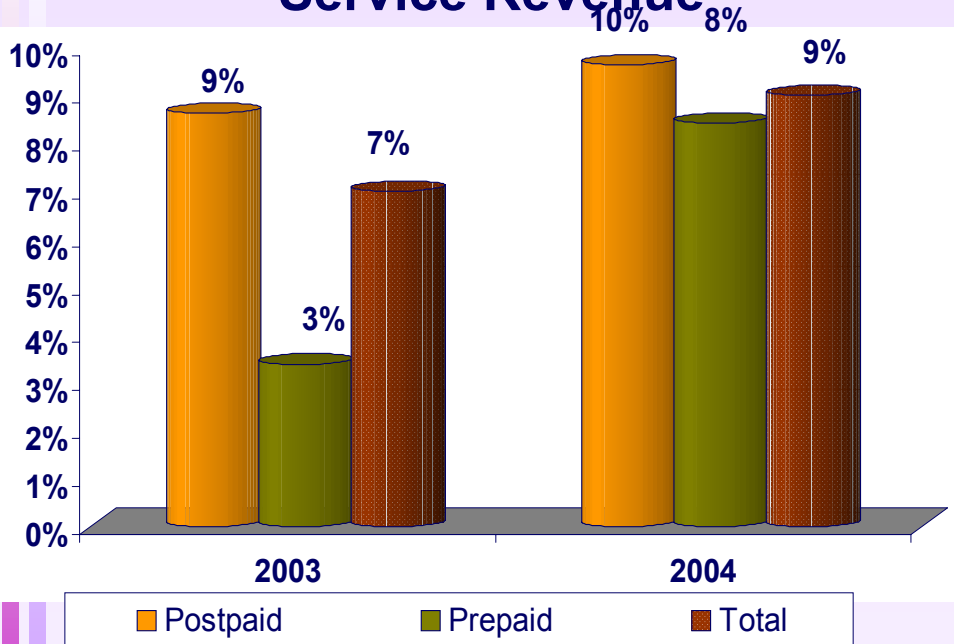
Mandi Prices
on the Move



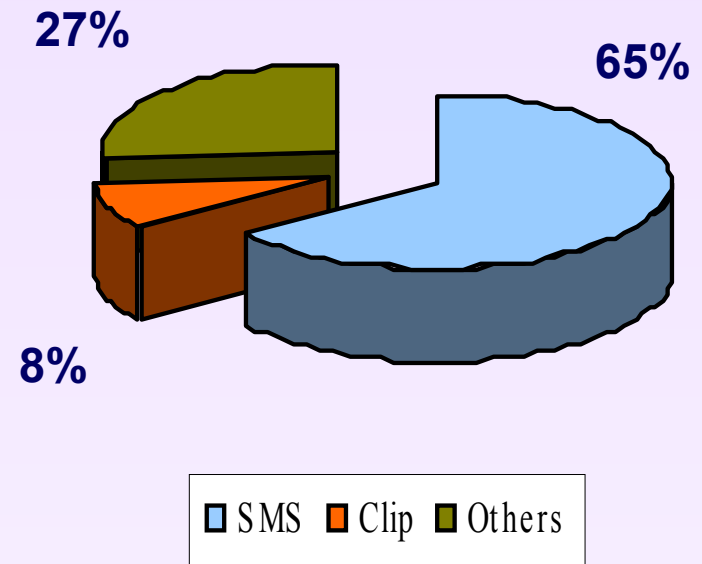
Kerala
Fishermen
Call in their
Catch

Revenues From VAS for GSM Industry

VAS Revenue as % to Net Service Revenue



VAS Revenue composition for 2004 (in %)



VAS shows promising trends, share in total net service revenue increasing continuously



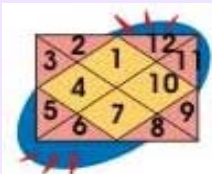
Revenues from VAS

- ★ **“Revenue from the VAS segment is growing at the rate of 30 to 40 percent annually. At present, this segment accounts for 10 to 13 percent of the total revenue of a service provider,”**
 - Tim DeLuca Smith, Communications Manager, SmartTrust.
- ★ **Daily downloads of around 1 million paid ringtones**
 - average cost: Rs 9 per ringtone.
- ★ **Around 100 million SMS's in a day**
- ★ **Reality game shows like KBC 2, Fame Gurukul, Indian Idol, etc have massive reach and generate high revenues.**

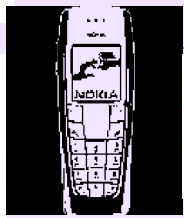
Popularly Used Value Added Services



health tips



astrology



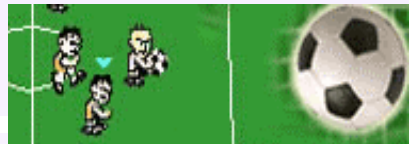
jokes



ringtones



push to talk



mobile gaming

Airtel

Live portal with games, music, cricket, stock, news, easy charge facility, logos, range of voice activated services, games, missed call alerts, Airtel Live, Hello Tunes etc.

Hutch

Online Yahoo & MSN Messenger, Java based games, missed call alerts, logos, games, news, stock, range of voice activated services, Caller Tunes, etc.

Idea

Daily horoscopes, cellular jockey to send musical greeting cards, voice activated services, music, logos, news, stock, movies, cricket, games, jokes, Dialer Tones, etc.

BPL

Ringtones, logos, picture messages, send-a-song, mobile gaming, etc.

Spice

Ringtones, logos, picture messages, SMS Chat, mobile gaming, etc.

Aircel

Ringtones, logos, picture messages, games, music, etc.



Factors for High Mobile Potential

★ High GDP growth rate

- Fastest growth amongst major democracies in last 10 years
- Average growth of 5.5% in the nineties
- As per Goldman Sachs, India could emerge as third largest economy in next 50 years

★ Rising Income Levels

- Per capita income rising by 4% in the nineties
- 4th largest economy in terms of purchasing power parity (PPP)

★ Increased Urbanization

- With increased development of infrastructure, rural India will become increasingly mainstreamed

★ High forex reserves

★ Booming knowledge sector



The Demographic Dividend

- ★ **The young ones : The adopters of wireless**
 - 54% of the population, ie. 555 million below 25 years age
 - 45% of the population even below 19 years age

- ★ **The Working Age Group : The Users of Wireless**
 - India's working age population is steadily burgeoning
 - 2001 – 59% of total
 - 2006 – 62% of total
 - 2011 – 63.4% of total.....peak representing 747 million.....more than entire population of Europe that year!!

- ★ **The Professionals : The Heavy Users**
 - Increasing number of Professionals who are less price sensitive and require hi-quality information as well as commerce & business services and applications

The Consumption Dividend

- ★ **The Rising savings rate** - expected to grow from 23% to about 30%, - will result in increased consumer spending
- ★ **The Improving levels of affluence** – between 1995 and 2002, nearly 100 million people became part of the consuming and rich class
- ★ **Liberalization children driving consumer behaviour :**
Consumption vs. saving, accessing credit vs. living within means, different rankings of necessities and luxuries
 - 462 million people in the consuming and affluent classes by 2006-07, with another 472 million as climbers
 - 70.5% of population will be 'middle income' in 2006-07 as compared to 56.7% in '99-'00
 - High income group will rise to 11.7% from 6.9%
 - Even at a 6% CAGR based on PPP, market size will rise from USD 1500 billion today to USD 2700 billion by 2010 and to USD 3400 by 2015

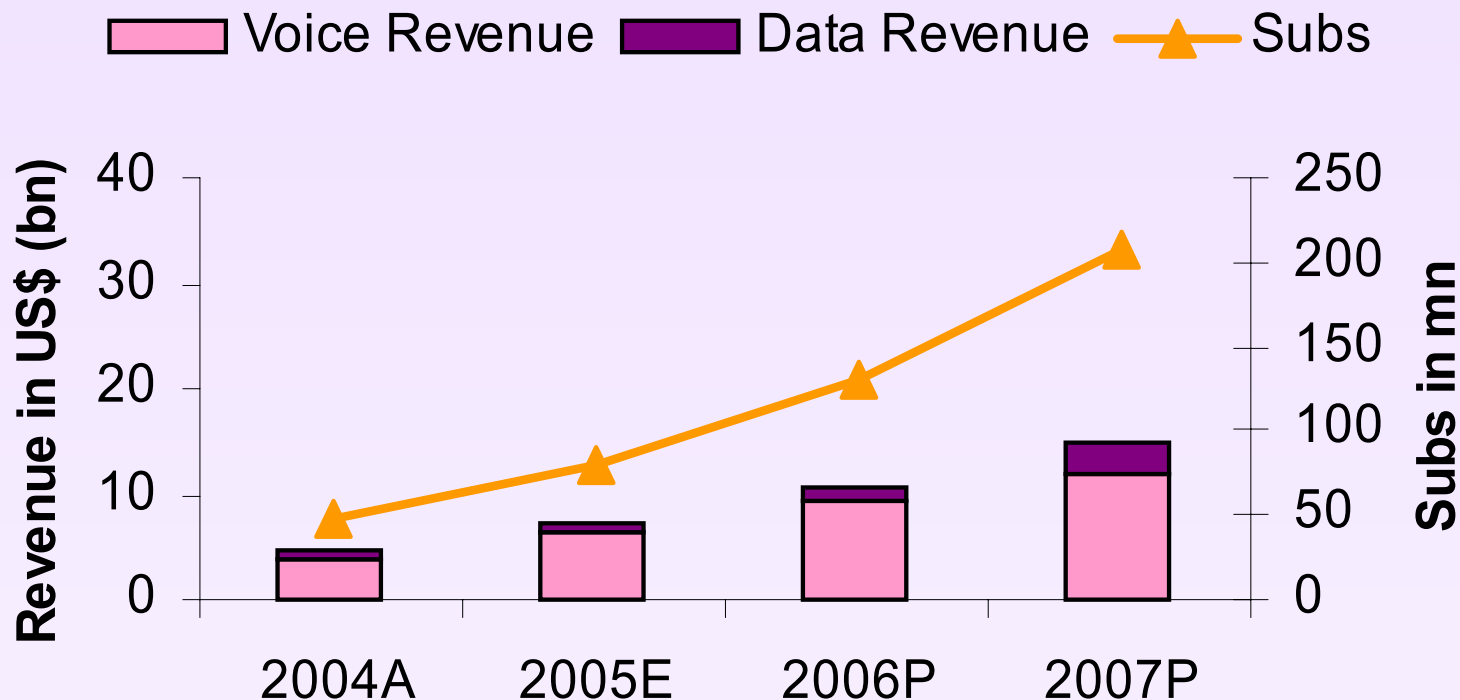
Push Towards Next Generation to Tap the Potential

- ★ India represents one of the most exciting opportunities for mobile services in the coming decade.**
- ★ We are already providing 2G and 2.5G services.**
- ★ The next big push would be the introduction of 3G services.**

Early and expeditious introduction of 3G services in India will hold the key to India's mobile success and its future dominance in mobile telephony

Potential of the Sector

Indian Cellular Industry has the potential to reach about 200 million by 2007.



This will contribute in a significant and substantial manner to overall teledensity target set by the Government



Thank You!
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