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Indian telecom revenues fell 7% q-o-q in Q4FY18 led by an 11% drop in ARPU. With the exit of RCOM and Aircel, most large operators gained market share. Idea was the only large operator to lose market share (down 30bps q-o-q), losing market share in 14 of the 22 circles. Jio's market share has increased 400bps to 19%. With Jio targeting postpaid subscribers, we expect revenues to fall another c10% in the next 12m.

Industry revenues decline 7%: Indian telecom revenues (adjusted gross revenues, AGR) are down 25% from Q4FY16 levels. The fall was precipitated by price cuts in end-Jan by Jio and incumbents. Industry ARPUs fell another 11% q-o-q and now stand at `70/sub/month.

Idea's market share falls even as small operators exit: The quarter saw the fringe players' AGR revenue market share (RMS) falling c600bps. Despite this, Idea lost 30bps RMS q-o-q with access provider RMS loss higher at 80bps. Importantly, it lost significant share in key markets of MP, UP (W) and Maharashtra.

All other operators gain: Ex Idea, all other large operators gained RMS with Jio gaining the most at 400bps. Vodafone and Bharti both gained 60bps with RMS increasing to 20.9% and

31.8% respectively. Bharti + Uninor + [Tata](#) combined though lost 220bps RMS due to losses in Uninor/Tata. Interestingly, BSNL+MTNL RMS increased by 127bps q-o-q.

Jio market share still below its target: Jio's market share now stands at 19.1% and has overtaken Idea (at 16%). Jio's share though is still well below its ambition (50%) and our stable state expectation of 30%+. With smaller players having only 4% RMS, incremental gains for Jio will have to come from incumbents' losses.

Near-term pressures to continue: Pricing equilibrium is still some time off and we expect further pressures. Jio's recent postpaid offer, at a 50% discount to peers, will impact incumbents' profitability. Postpaid contributes 20%+ of revenues and we believe any 10% cut in prices would drive a 2% cut in overall ARPU and 12/6% Ebitda hit for Idea and Bharti.

We remain cautious on the sector: We expect competitive intensity to remain high. We expect ARPU to remain under pressure and cost pressures to also increase. Additionally, we expect recovery post equilibrium (post mid-FY20) to be gradual. ARPU increases will require investment in both capacity and content in our view. We remain cautious on both Bharti and Idea (Underperform).

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