

Telecom Industry

Opportunities

India is the fourth largest telecom market in Asia after China, Japan and South Korea. The Indian telecom network is the eighth largest in the world and the second largest among emerging economies. The industry has witnessed an explosive growth in recent years. Teledensity has more than doubled from 2.3 per cent in 1999 to 4.8 per cent in 2002. However, the world average is almost 7.5 times and the Asian average 4.5 times the Indian average. The Indian telecom market size of over US \$ 8 billion is expected to increase three fold by 2012.

The expansion of the telecom industry in India has been fuelled by a massive growth in mobile phone users, which has reached a level of 10 million users in December 2002, an increase of nearly 100 per cent in 2002. This exponential growth of mobile telephony can be attributed to the introduction of digital cellular technology and decrease in tariffs due to competitive pressures.

For the first time in India, the growth of cellular subscriber base has exceeded the fixed line subscriber base. However, cellular penetration is still 1 per cent as compared to world average of around 16 per cent. Cellular subscriber base is projected to grow at a CAGR (Compounded Annual Growth Rate) of 48 per cent to exceed 45 million in 2007 and at 30 per cent to 88 million in 2012.

The basic subscriber base of 40 million is projected to grow at a CAGR (Compounded Annual Growth Rate) of 8 per cent to 58 million in 2007 and 86 million in 2012. The basic services penetration rate has increased from 1.29 per cent in 1995 to 3.8 per cent in 2002. However the world average is almost four times the Indian average penetration rate. With the introduction of Wireless in Local Loop (WLL) technology, the market is expected to increase dramatically.

What India can offer

India has institutions that are deeply rooted in the principles of democracy and justice. This ensures a transparent, predictable and secure environment for development of telecommunications. Furthermore, it is aided by a strong and high-consumption middle-class population of around 300mn.

The National Telecom Policy 1999 (NTP'99) targets tele-density at 15 per cent by 2010. This will entail an investment of US \$ 40- 50 billion over the next 6-8 years.

The Indian market presents a unique opportunity as compared to developed countries, where mobile services are likely to be complimentary services, as most business and households already have access to fixed line telephones. However in India, mobile telephony can be a substitute to fixed line services, thereby further increasing the attractiveness of the Indian market.

Challenges

The Indian telecom market has witnessed dramatic deregulation thereby increasing the competitive pressures. The year 2002 has seen several key developments, such as roll out of internet telephony services, privatization of VSNL (Videsh Sanchar Nigam Limited) and ending its monopoly by opening up the international long distance services sector. The industry regulator TRAI (Telecom Regulatory Authority of India) has issued interconnect guidelines for basic, cellular, national & international long distance operators. Telecom is an emerging industry and the players are expected to grapple with complex issues of new technologies and an evolving regulatory framework.

To cut costs and investments, telecom players need to evolve means to share infrastructure. With the rapidly increasing tele-density in urban areas, future growth in subscriber base will have to come from semi-urban and rural markets. The different revenue and cost structures of the rural and semi-urban markets would require reengineering key processes and the right mix of technology and pricing strategies to offer viable and affordable telephony services. Investment in brand building and effective channel management will be key imperatives to maintain customer loyalty. Launch of new products and value added services through continuous innovation can enhance revenues.

Headquarters:



Confederation of Indian Industry

23, Institutional Area, Lodi Road

New Delhi-110 003, INDIA

Tel: 91-11-24629994-7 • Fax: 91-11-24626149

email: ciico@ciionline.org • website: www.ciionline.org