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Tata Teleservices (Maharashtra) - Buy Investment Overview

- TTML registered an incremental wireless market share of 28% for the twelve months ended March 31, 2010, and an incremental wireline market share of 59% for the year
- TTML launched its GSM services in collaboration with NTT DoCoMo during Q2FY10.
- The EBITDA for the quarter ended March 31, 2010 was at an all time high of Rs183 crore.
- With a full portfolio of products and services for different categories of retail and enterprise consumers, TTML is well positioned to lead the market in the years ahead.
- The company has won 3G bid for Maharashtra, Gujarat, Karnataka, Kerela , Punjab, Haryana, MP, Rajasthan , and UP (w) for a total sum of Rs 5864.4 crore.

Business Overview

Tata Teleservices Maharashtra Limited (TTML) spearheads the Tata group's presence in the telephony sector in the telecom circles of Maharashtra and Goa including Mumbai.

TTML commenced landline operations in 1998 and today has the largest wireline base in Mumbai and Maharashtra amongst all private operators, with over 600,000 subscribers, and with over 50% market share. It commenced full mobility wireless services on the CDMA-1X platform in 2004-5, and has over 11 million wireless subscribers today, with over 16.9% market share. It is also a market leader in wireless data cards, with its pioneering Plug2Surf 1-X data cards and its recent launch of mobile broadband services with Photon+.

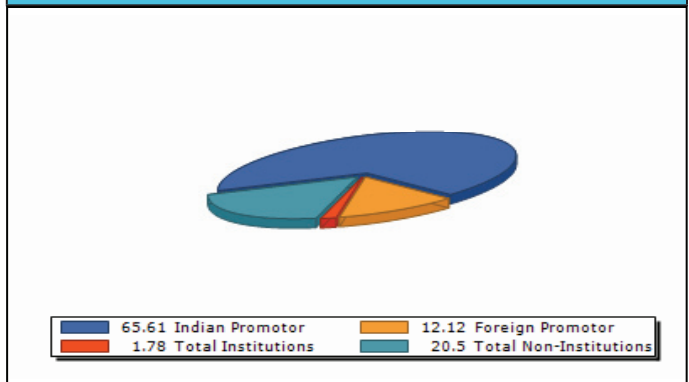
TTML's network has been rated as the only congestion-free network across Maharashtra and Mumbai in 5 consecutive reports issued by the Telecom Regulatory Authority of India (TRAI).

Financial Health

- Tata Teleservices (Maharashtra) Limited (TTML) achieved all time high revenues with annual

Stock Data		02/06/2010
Current Mkt Price (Rs)		20.00
52 Week High		41.80
52 Week Low		18.65
Mkt Cap (Rs. in Million)		37943.94
Return in last one Month (%)		-12.85

Share Holding



Performance in last one year



Y-o-Y Performance

Particulars	(Rs. in Million)		
	Mar 2009	Mar 2008	Change(%)
Net Sales	20422.60	17747.40	15.07
Other Income	239.60	405.70	-40.94
Total Expenditure	14730.10	13185.00	11.72
Operating Profit	5932.10	4968.10	19.40
Interest	3048.10	1822.70	67.23
Profits After Tax	-1596.00	-1257.40	26.93
Reserve & Surplus	0.00	0.00	8.18
Reported EPS(Rs)	-0.84	-0.66	27.27
Core EBITDA Margin (%)	27.87	25.71	8.43



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revenue growth of 12%.

- The Company posted a robust 12% growth in Revenues, which rose to an all time high of Rs 2309 crore for the financial year ended March 31, 2010.
- For the 9 months ended December 31, 2009, Adjusted Gross Revenue (AGR), the Company has registered an 8.2% AGR growth compared to industry de-growth in its region of 0.9%.
- EBITDA for the year was Rs 597 crore with an EBITDA margin of 26%. The EBITDA for the quarter ended March 31, 2010 was at an all time high of Rs183 crore.

Industry Scenario

The Indian Telecommunications network is the third largest in the world. The sector is growing at a speed of 46-50% during the recent years. This rapid growth is possible due to various proactive and positive decisions of the Government and contribution of both by the public and the private sectors. The rapid strides in the telecom sector have been facilitated by liberal policies of the Government that provides easy market access for telecom equipment and a fair regulatory framework for offering telecom services to the Indian consumers at affordable prices. Presently, all the telecom services have been opened for private participation.

In 1994, the Government announced the National Telecom Policy which defined certain important objectives, including availability of telephone on demand, provision of world class services at reasonable prices, improving India's competitiveness in global market and promoting exports, attractive FDI and stimulating domestic investment, ensuring India's emergence as major manufacturing / export base of telecom equipment and universal availability of basic telecom services to all villages.

The most important milestone and instrument of telecom reforms in India is the New Telecom Policy 1999 (NTP 99). The New Telecom Policy, 1999 (NTP-99) was approved on 26th March 1999, to become

Q-o-Q Performance			
(Rs. in Million)			
Particulars	Mar 2010	Mar 2009	Change(%)
Net Sales	6078.60	5364.00	13.32
Expenditure	4677.90	3853.30	21.40
Other Income	192.10	-214.34	-189.62
EBITDA	1592.80	1296.36	22.87
Interest	723.30	528.28	36.92
Net Profit	-662.10	-324.67	103.93
EBITDA Margin (%)	0.26	0.24	8.42
NPM (%)	-0.11	-0.06	79.96
EPS	0.00	-0.84	0.00

Profit & Loss			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Net Sales	20422.60	17747.40	15.07
Total Income	20662.20	18153.10	13.82
Total Expenditure	14730.10	13185.00	11.72
Operating Profit	5932.10	4968.10	19.40
Profits After Tax	-1596.00	-1257.40	26.93

Balance Sheet			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Share Capital	18971.90	18935.60	0.19
Reserve & Surplus	-22655.20	-20941.50	8.18
Total Liabilities	27439.60	24262.80	13.09
Investments	750.00	0.00	0.00
Current Liabilities	9816.10	9819.10	-0.03
Net Current Assets	-4481.90	-5598.50	-19.94
Total Assests	27439.60	24262.80	13.09

Key Ratios		
Particulars	Mar 2009	Mar 2008
Reported EPS (Rs)	-0.84	-0.66
Core EBITDA Margin (%)	27.87	25.71
EBIT Margin (%)	7.17	3.24
ROA (%)	-6.17	-6.08
ROE (%)	0.00	0.00
ROCE (%)	5.66	2.78
Price/Book (x)	-11.74	-26.53
Net Sales Growth (%)	15.07	24.94
EBIT Growth (%)	154.82	-143.43
PAT Growth (%)	26.93	-59.52
Total Debt/Mcap (%)	0.72	0.49



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effective from 1st April 1999. NTP-99 laid down a clear roadmap for future reforms, contemplating the opening up of all the segments of the telecom sector for private sector participation.

The 3G will allow telecom companies to offer additional value added services such as high resolution video and multi media services in addition to voice, fax and conventional data services with high data rate transmission capabilities. BWA will become a predominant platform for broadband roll out services. It is also an effective tool for undertaking social initiatives of the Government such as e-education, telemedicine, e-health and e-Governance. Providing affordable broadband, especially to the suburban and rural communities is the next focus area of the Department.

Inflow of FDI into India's telecom sector during April 2000 to March 2009 was about Rs 275,44.40 crore. Also, more than 8 per cent of the approved FDI in the country is related to the telecom sector

India offers an unprecedented opportunity for telecom service operators, infrastructure vendors, manufacturers and associated services companies. A host of factors are contributing to enlarged opportunities for growth and investment in telecom sector.

Latest News

The company has won 3G bid for Maharashtra (Rs 1258 cr), Gujarat (Rs1076 cr), Karnataka (Rs1580 cr), Kerela (Rs 312.5 cr), Punjab (Rs 322 cr), Haryana (Rs 222.6 crore), MP (Rs 258..4 cr), Rajasthan (Rs 321 cr), and UP (w) (Rs 514 crore)-total Rs 5864.4 crore.

TTML registered an incremental wireless market share of 28% for the twelve months ended March 31, 2010, and an incremental wireline market share of 59% for the year; the Company was the No. 1 operator in both segments.

Investment Rationale

The company since the introduction of GSM offering has been continuously adding to its subscriber base, it has added 1.4 million wireless and 37,000 wireline subscribers in the fourth quarter. The

incremental subscriber growth was lead by GSM operations.

The company's 3G auction win in Maharashtra and Goa will give the company access to the 3G spectrum for the next 20 years, and in this region of over 100 million people with very high growth potential including in rapidly growing areas such as Pune, Nasik, Aurangabad, Vasai and Nagpur, TTML will now be able to further consolidate its market leadership.

The company's Q4 minutes of usage grew 9% at 8.7 billion minutes (QoQ). Q4 wireless revenue/minute stands at 50 paise versus 54 paise (QoQ).

Though it has won only nine circles and has managed to protect only 43% of its 2G revenue footprint. But finally the company is out of the disadvantage of late mover that it was struggling with in the GSM space.

In March this year, Tata Teleservices Maharashtra (TTML) sold its tower subsidiary 21st Century Infratel to Quippo-WTTIL for Rs 1,318 crore. As part of the deal, all the 2,535 towers of 21st Century Infratel in Mumbai, Maharashtra and Goa will be acquired by Quippo-WTTIL. TTML noted that the towers had been valued at Rs 52 lakh per unit. This money was used in payment for 3G auction, reducing the debt burden.

TRAI's recent recommended that any operator who has spectrum more than the newly set limit of 6.2 MHz would have to pay a one-time fee for the excess airwaves will least affect and TTML and RCom as the spectrum held by them is within the threshold levels mentioned in the recommendation.

At CMP of Rs 20, the stock is trading at an EV/ EBITDA of 12.49x. We would recommend a BUY in the stock with a price target of Rs 36 keeping in view that the players who have both CDMA and 3G spectrum, like Tata Teleservices, could use a mix of the two technologies to get a pan-India footprint. Also TTML's network is the only network in the region to be rated congestion-free by the Telecom Regulatory Authority of India (TRAI) for 6 consecutive times.



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