

The country's second largest GSM operator, Vodafone India has invested over Rs 500 billion in its Indian operations since 2007. The company currently owns over 110,000 tower sites and has a wireless user base of 151.28 million. Going forward, Vodafone plans to launch 4G services, improve voice coverage and expand its data service portfolio. In an interview with tele.net, Marten Pieters, managing director and chief executive officer, Vodafone India, talks about the company's expectations on the regulatory front, its future thrust areas and the challenges it faces. Excerpts...

How has Vodafone India performed over the past year? What have been the company's key achievements?

We have had a really good year, which was marked by strong operational performance, continued revenue market share (RMS) growth and improved margins. We have made headway in the seven markets we entered three to four years ago and these service areas are showing tremendous growth momentum, with a year-on-year growth of over 50 per cent. We have achieved a double-digit RMS in most of these circles.

Our service revenues grew by 19.5 per cent in 2011-12 over the previous year, driven by an 11.8 per cent increase in the customer base, strong growth in incoming and outgoing voice minutes, and over 51 per cent growth in data revenues.

Vodafone India's subscriber base crossed 152 million and we have differentiated ourselves as a strong brand with a quality network and customer services. The company's strong operating performance and revenue growth provide a platform for our long-term commitment to India, the challenging regulatory environment notwithstanding.

What are Vodafone India's plans for the next two years?

The focus will be on leading core businesses in the consumer and enterprise segments, mobile data, penetration of m-finance services, etc. Apart from this, we will continue to focus on delivering an integrated customer experience.

What are the biggest challenges faced by the company?

The biggest challenges continue to be the uncertain regulatory environment, a hypercompetitive market and limited availability of spectrum.

What is your regulatory wish list?

Our major policy/regulatory expectations for 2012 include:

- Clarity on the terms and conditions for licence extension
- A progressive as well as forward-looking spectrum policy. Technology neutrality should be followed in both letter and spirit
- Fair and transparent auctions, in which the spectrum value is discovered by the market forces
- Rationalisation of the burden of duties and levies being imposed on the sector
- An enabling framework for improving rural service roll-out and enhancing broadband access
- Uniform licence and spectrum fees.

Will 4G services witness higher uptake as compared to 3G applications?

4G is the next-generation technology for data. Currently, there is significant scope for the growth of 3G services, which were introduced in India in 2011, and we are focusing on this. 3G is still at a very nascent stage in this market. We are helping customers adopt these applications and strengthening our infrastructure to provide best-in-class 3G services.

What are Vodafone's plans for offering 4G services?

We are definitely interested in providing 4G services as and when we obtain spectrum. Globally, Vodafone is one of the leading providers of 4G services, which were recently launched in Europe. However, it is very premature to comment on it at this stage.

What trends will the sector witness over the next two to three years?

The first area of growth will be the traditional voice business. With a telecom penetration of around 50 per cent, we still have some way to go. The second area is data. We have witnessed healthy growth in data usage. New subscribers will access the internet for the first time through mobile handsets. There is significant potential in the mobile broadband space as the current internet penetration is less than 10 per cent and the broadband coverage is around 1.16 per cent. The smartphone/ tablet ecosystem, technology convergence and financial inclusion through m-banking also present major growth opportunities.

What are Vodafone India's focus areas apart from pure-play GSM services?

Vodafone is a telecom company aiming to connect people and provide communication solutions for both individual and enterprise customers through voice and data. We have the second largest RMS and a subscriber base of over 150 million. We have invested significantly in our network, technology and people, and will continue to build our capabilities to provide quality solutions and strengthen our focus on the data, mobile money and enterprise segments.

What is the company's revenue break-up with regard to its various businesses?

We are primarily a mobile service provider and this business accounts for the majority of our revenues. With reference to our infrastructure business, our network towers are managed by Indus Towers, in which we have a 42 per cent share.

What was Vodafone India's capex in 2011-12 and which areas did the company invest in? What will be Vodafone's capex and areas of investment in 2012-13?

We are a long-term player and are committed to the Indian market. Over the past few years, we have invested heavily in building our network in the country with a capex of over Rs 60 billion per annum. We have a pan-Indian presence and have built over 110,000 sites. We have also invested in 3G and the development of data services. Our total investments since 2007 stand at over Rs 500 billion. Going forward, we will continue to invest and ensure seamless coverage as well as provide a quality network for both data and voice.

Will the Telecom Regulatory Authority of India's (TRAI) recent recommendations on spectrum impact the company's revenues and profitability?

TRAI's recommendations on spectrum pricing are yet to be finalised by the empowered group of ministers. The reserve price proposed by TRAI is significantly higher than the final auction price in European countries. The Indian telecom industry is currently marked by high debt levels that have put pressure on profitability. A high reserve and auction price will increase the financial burden. As per a recent report released by PricewaterhouseCoopers, the proposed reserve price could increase call rates by over Re 0.30 per minute.

What proportion of Vodafone India's revenues is contributed by non-voice services and what steps are being taken to increase this share in 2012-13?

Our non-voice revenues are similar to those of other players. We expect revenues from data services to grow over the next few years. India has a large prepaid subscriber base, relatively low penetration of smartphones and low broadband penetration, thereby leading to slow data adoption. Things are changing now with an increase in basic internet-on-mobile uptake and the internet experience is available even on affordable handsets. Data and 3G adoption will grow with the increasing affordability of these services.

Vodafone, with its large 3G global user base, has extensive experience in understanding usage patterns and requirements on the internet. We expect data usage, including 3G, to continue its growth trend. We are pleasantly surprised by the kind of usage witnessed once customers they start using these services.

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