India's eastern region comprises the telecom circles of West Bengal, Assam, Bihar, Kolkata, the Northeast and Odisha. The region consists of states with similar user profiles and characteristics. While Assam, Bihar, the Northeast and Odisha are classified as Category C circles, West Bengal and Kolkata are classified as Category B and Metro circles respectively. The circles in the eastern region are characterised by low teledensity and low ARPUs, which can be attributed to the relatively weaker economic situation of these states. Also, inadequate infrastructure and low investments continue to impede the growth of telecom services in the region.

Nevertheless, like other regions, the eastern region has registered a remarkable growth in teledensity over the past few years. All these circles witnessed a growth of nearly 100 per cent in teledensity during 2009-12. The teledensity of West Bengal, which has the highest penetration of mobile services in the region, increased from 39.18 per cent in September 2009 to 79.06 per cent in September 2012. Similarly, the Northeast circle's teledensity witnessed a compound annual growth rate (CAGR) of 26.5 per cent to reach 70.22 per cent in September 2012 from 34.62 per cent in September 2009. Even in Bihar, which has the lowest wireless penetration in the region, teledensity increased from 22.75 per cent to 46.73 per cent during this period.

Growth in the overall subscriber base in the eastern region can be attributed to wireless user additions. However, the region's total subscriber base is among the lowest in the country. As of September 2012, the eastern region accounted for about 20 per cent of the country's total subscriber base.

In the wireless segment, urban teledensity growth has been uniform across circles, but rural teledensity growth has been disproportionate. For instance, rural teledensity in Assam dropped from 16.01 per cent in end-September 2009 to 8.3 per cent in end-September 2012, while the West Bengal circle recorded a rapid increase in rural teledensity from 20.35 per cent to 509.76 per cent during this period.

Overall, the eastern region's wireless subscriber base grew by 119 per cent from 82.64 million in September 2009 to 181.6 million in September 2012. This has been attributed to low mobile tariffs, growing availability of low-cost feature-rich handsets and large investments in wireless networks. As of September 2012, Bihar had a wireless subscriber base of 61.08 million, West Bengal 46.04 million, Odisha 25.43 million, Kolkata 24.87 million, Assam 14.99 million and the Northeast 9.18 million.

The region's wireline subscriber base witnessed a negative CAGR of 3.84 per cent during 2009-12. The high mobile penetration and an increase in fixed line deployment costs have impacted the growth of the wireline segment.

The eastern region's contribution to operator revenues was about 13 per cent during June-September 2012. Bihar accounted for 4.5 per cent of the region's total revenues, which made it the largest revenue contributor.

Operator status

Currently, 10 operators are offering 2G services in the region – Bharti Airtel, Vodafone India, Idea Cellular, Reliance Communications (RCOM), Bharat Sanchar Nigam Limited (BSNL), Tata Teleservices Limited, Aircel, Unitech Wireless, Videocon Communications and Sistema Shyam TeleServices Limited. Bharti Airtel is the dominant operator in the region except in West Bengal and Kolkata, where Vodafone India is the largest operator. Bharti Airtel has a large market share in the Bihar circle as compared to other parts of the region.

In February 2012, the Supreme Court cancelled 122 2G licences. The auction of the vacated 2G spectrum in November 2012 drew poor operator response. New entrants such as Telenor and Videocon, whose licences were cancelled, bid and won spectrum for only a few circles due to the high reserve price. Therefore, operators will discontinue operations in other circles unless they acquire spectrum in the upcoming auction in March 2013.

In contrast, Idea Cellular acquired spectrum for all circles in the eastern region while Vodafone India won spectrum in all circles except Kolkata. Bharti Airtel acquired spectrum only in the Assam circle.

In the upcoming auction, operators are expected to bid for spectrum in the 900 MHz band as it is three times more efficient than spectrum in the 1800 MHz band for providing telecom services.

Also, licences for the 900 MHz band in the Kolkata circle will be due for renewal in 2014.

Consequently, the government has decided to auction 12.5 MHz of spectrum in this band in Kolkata. The move will have significant financial and operational implications for Bharti Airtel and Vodafone India, which hold 6.2 MHz and 7.8 MHz of spectrum in the 900 MHz band respectively. In order to continue their services, these operators will need to acquire spectrum in the auction at a high reserve price, which will strain their balance sheets. Otherwise, they will have to provide services through the 1800 MHz band, which will further congest their networks.

In the November 2012 auction, the Bihar circle drew the highest operator interest. This was on account of the low mobile penetration in the circle, which presented major growth opportunities.

In the future, based on the outcome of the upcoming auction, the eastern region is expected to witness high competition, which will pave the way for consolidation.

Internet and broadband services

None of the circles in the eastern region features in the top 10 service areas in terms of internet and broadband penetration. The low penetration of internet services in the region is attributed to low investments in wireline infrastructure due to the high associated costs and right-of-way issues. However, broadband services are expected to gain momentum with the uptake of 3G/4G services over the next few years.

Currently, all incumbent operators offer 3G services in the region through their own licences or roaming agreements. RCOM and Aircel are the only operators that hold 3G licences in all the eastern circles. Idea Cellular, Bharti Airtel and Vodafone India have signed roaming agreements to offer 3G services in circles where they do not have spectrum. However, with the government disallowing operators to offer services through roaming pacts, users may shift to operators that hold 3G spectrum in a particular circle. This presents an opportunity for RCOM and Aircel to gain a stronger foothold in the region.

In April 2012, Bharti Airtel launched 4G services in the Kolkata circle. The operator is likely to enjoy monopoly status for a while in the circle as Infotel Broadband, which holds a pan-Indian broadband wireless access (BWA) licence, intends to initially focus on Delhi and Mumbai in the first phase of service launch. Meanwhile, Aircel, which holds BWA spectrum in all circles in the region except in Kolkata, is expected to launch 4G services in 2013.

Another driver for internet growth in the region will be the National Optical Fibre Network (NOFN) project. The government has undertaken trials on the fibre network in 15 gram panchayats of North Tripura. Further, for the Northeast region, the government intends to set up an optic fibre cable network in 27 districts in Assam; 19 districts in Meghalaya, Mizoram and Tripura; and 30 districts in Arunachal Pradesh, Manipur and Nagaland. Also, the government has set up statewide area networks in all the eastern circles, except Nagaland, where the deployment process is at an advanced stage.

To conclude, the eastern region has been lagging behind other areas of the country due to infrastructure bottlenecks and slow economic growth. However, the government's focus on developing the region is expected to drive investments going forward. Also, most operators seem to be confident about the rural markets of the eastern region and consider them as a future growth driver for mobile services. Besides, the availability of affordable smartphones and a decline in 3G tariffs will provide an impetus to internet and mobile broadband service uptake in the region.

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