

Given the rapidly changing dynamics of the Indian telecom industry, the stock movement of listed companies has been driven by sector developments as well as by company-specific developments. However, the stock performance of telecom companies seems to have not been impacted much by the broader market (S&P BSE 100) movement over the past two years. During this period, the stocks of most telecom companies including the incumbents underperformed the broader market even though the Indian telecom sector saw several positive developments.

In fact, companies that had reported a weak quarterly performance or had accumulated huge debt witnessed higher volatility in stock prices or an erosion of stockholders' wealth. There were also several instances of telecom stocks moving in tandem with specific sector developments. For instance, the share price of most telecom operators fell prior to the February 2014 spectrum auction as investors, especially foreign institutional investors (FIIs), reduced their exposure to the Indian telecom sector as they were wary of operators overspending on spectrum acquisition. Similarly, telecom stocks tumbled on account of reports that the Comptroller and Auditor General of India would audit the financial accounts of telecom operators. Between December 2013 and February 2014, the share price of Bharti Airtel, Reliance Communications (RCOM) and Idea Cellular dropped by 12.99 per cent, 13.6 per cent and 22.89 per cent respectively.

tele.net takes a look at the performance of the stocks of some of the listed telecom operators. Tata Teleservices Limited's stocks have not been analysed here as their price remained more or less at Rs 6-Rs 7 during the past two years, barring mid-2014 when it increased marginally on the back of reported news of Japan-based NTT DOCOMO's plans to exit the joint venture.

Bharti Airtel

In the past two years, Bharti Airtel has seen wide fluctuations in its stock prices, which reached a high of Rs 425 in May 2015 and a low of Rs 288 in February 2014.

After falling to their lowest price in the past two years, the stocks recovered sharply over the next few weeks as the company announced plans to buy Loop Telecom in a deal worth Rs 7 billion. The deal was aimed at acquiring high-ARPU customers and infrastructure in the Mumbai

circle. Subsequently, in the first week of March, Airtel received a higher long-term credit rating of BBB- from Standard & Poor's on account of a reduced debt burden and an improved regulatory environment. This resulted in a 5 per cent bull rally in the company's stock and created a positive momentum, which was sustained by the strong financial performance of the operator. Positive regulatory announcements such as the issuance of spectrum trading guidelines by the government further fuelled the upward movement.

The stock continued on its upward trajectory in April 2014 with the operator registering a healthy 58 per cent growth in net profits for the quarter ended March 2014, although its African operations continued to be a drag on the overall performance. The stock price increased further on account of positive developments such as government approval for 3G intra-circle roaming agreements and the sale of towers in Africa to Eaton.

However, this momentum was subsequently negated when the proposed acquisition of Loop Telecom was called off in November 2014, and the stock price fell. It, however, soon staged a recovery with the company announcing the sale of towers in Nigeria and other African countries to the American Tower Corporation and IHS Holdings respectively.

During early 2015, the stock price increased further as Airtel positioned itself well in the March 2015 auction and acquired spectrum in key circles across frequency bands. The Department of Telecommunications' approval for providing 4G services in the Delhi and Mumbai circles resulted in the company's stocks reaching a 52-week high of Rs 425 in May 2015.

Subsequently, several investors exited to gain from the rapid increase in stock prices. Investors further reduced their exposure owing to reports of the imminent launch of 4G services by Reliance Jio Infocomm Limited. Also, Airtel announced that while it was in talks with France-based Orange for its African operations, it did not intend to exit the market. Given that the African business has performed below par for the operator, the decision to not exit Africa did not go down well with investors, thereby resulting in a free fall in the stock price in July and August 2015. The ensuing broader market sell-off resulted in a further decline in the stock price, although the approval of the spectrum trading guidelines lent some support.

RCOM

The stock price movement has been largely driven by the company's operational and financial performance. Like Airtel and Idea Cellular, RCOM's stock price was severely impacted in the months leading to the February 2014 spectrum auction. Subsequently, the stock price reversed its direction as RCOM did not acquire much spectrum, which meant less spectrum payouts and not much addition of debt to the company's already highly leveraged balance sheet.

After reaching Rs 137 in May 2014 due to a 20 per cent hike in tariffs by RCOM, the company's stock price went into a free fall between June 2014 and September 2014, and then recovered slightly only to fall again. The company had been recording significant losses over several quarters due to high interest expenses and low growth in revenues. This, coupled with its inability to sell its non-core assets, such as Singapore-based subsidiary Global Cloud Xchange and Reliance Infratel, affected the stock performance.

The stock, which had been declining since June 2014, reached a low of Rs 59 in March 2015 as the company did not re-acquire spectrum in some of the circles where its licences are due to expire in 2016-17, in the just concluded auction. This meant that the company would have to exit those circles unless it acquired spectrum. Subsequently, in October 2015, while the stock recovered somewhat from its earlier losses, it is nowhere near its 52-week high of Rs 146.

Idea Cellular

Unlike Bharti Airtel, Idea Cellular did not witness significant volatility in its stock price during the past two years. Like most telecom companies, Idea Cellular's stocks also fell considerably in the months leading to the February 2014 spectrum auction as several FII's turned bearish. Its stock price soon did a U-turn as the company acquired a significant quantum of the liberalised spectrum, which would enable it to gain a firmer foothold in the data services market. In addition, the company's proposal for a hike in the FII limit to 49 per cent was approved, which led the positive rally in its stock.

The stocks continued their bull run with a string of better-than-expected performances over several quarters as well as positive regulatory announcements including permission for 3G intra-circle roaming agreements. Subsequently, investors continued with profit booking and reduced their stake in the operator as the March 2015 auctions drew closer. Idea Cellular has several of its licences coming up for renewal in 2016 and 2017, making it imperative for the operator to reacquire spectrum in the auction in order to continue operations beyond the licence's validity. At the end of the auction, Idea Cellular reacquired spectrum in all the circles

where its licence was due to expire and also acquired additional 3G spectrum. This resulted in a huge rally in the company's stock price, which shot up by 21 per cent to Rs 184 in April 2015. Subsequently, it went on a downward trajectory till August 2015, following which it has been more or less stable.

MTNL

Mahanagar Telephone Nigam Limited's (MTNL) stock has witnessed less volatility in price as compared to that of private players. Moreover, unlike private companies' scrips, MTNL's stock has not been affected by events prior to and after the spectrum auction in February 2014 and it traded at about Rs 15. In fact, the stock price has been mostly driven by company-specific developments rather than sector developments or broader market movements.

In end-May 2014, however, its stock witnessed a sharp increase of 80 per cent to Rs 31 on account of the government's announcement of MTNL's revival plans and higher profits for the quarter ended March 2014.

The upward trend in the stock price started reversing as the company's performance over the next few quarters weakened. The stock registered a major dip in February 2015 with the company being declared a sick PSU. Since then, the stock price has remained more or less the same.

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