Videocon Telecom is taking several initiatives to achieve a turnaround in its loss-making telecom business. The most significant among these is an increased focus on the data segment. Its efforts have already started paying off, as can be seen from the financial results for the quarter ended December 2015. The operator reduced its net loss from Rs 444 million for the quarter ended December 2014 to Rs 259 million for the October-December 2015 period. The company also reported a 22 per cent rise in its consolidated revenue to Rs 5.85 billion for the same period. It posted a 20 per cent growth in net revenue of its stand-alone GSM business, driven by a 28 per cent increase in its subscriber base, a 16.5 per cent improvement in its net rate per minute and a 76 per cent growth in data revenues over the same period a year ago.

Further, between January and December 2015, Videocon Telecom added 0.51 million, 0.3 million and 0.9 million subscribers in its Punjab, Haryana and Madhya Pradesh circles respectively. The operator also improved its market share marginally from 0.78 per cent in June 2015 to 0.79 per cent in September 2015.

Meanwhile, in a bid to infuse further growth into its spectrum-dependent mobility business, Videocon Telecom, in 2015, initiated the country's first ever spectrum trading deal by signing an agreement with Idea Cellular for the sale of 5 MHz each of spectrum in the 1800 MHz band in two of its seven operational circles, Gujarat and Uttar Pradesh (West), for Rs 33.1 billion. However, the deal has now been called off and neither of the two companies has given any specific reason for the same.

Data segment drives revenues

Data currently accounts for 12.5 per cent of Videocon Telecom's gross revenue and this share is growing steadily. The operator was able to almost double its data business in 2015 over 2014. Further, the average data consumption per user reached 220 MB in 2015, an increase of around 65 per cent over that in 2014.

In order to increase the uptake of its data services, Videocon Telecom launched a double data offer in 2015, under which customers get double the amount of data that is currently available on all standard data packs. This applies during night hours (12 a.m. to 7 a.m.). The operator launched the scheme keeping in mind the fact that the majority of its data users are young people who use mobile data throughout the day. Moreover, an estimated 20 per cent of the

operator's data is used between 12 a.m. and 7 a.m. and around 17 per cent of its users consume more than 50 per cent of data during night hours. Videocon expects that the double data initiative will increase overall customer data consumption by over 50 per cent and data revenue by around 25 per cent. It also expects data consumption per user per month to increase by up to 20 per cent. In addition, the operator is offering free trial data packs to non-data users and new subscribers. With these offers and several other micromarketing initiatives for data services, Videocon Telecom aims to take up the share of data in its gross revenue to 15 per cent by the end of 2015-16.

4G plans

Videocon has decided to advance its 4G long term evolution (LTE) roll-out plans, owing to the launch of these services by major telecom operators and the increased availability of 4G-enabled smartphones in the country. The operator has 5 MHz of liberalised spectrum in the 1800 MHz band and contiguous spectrum in its circles, which is best suited for 4G LTE services.

Videocon plans to exercise the spectrum sharing option by sharing its network with that of another operator to offer 4G on a common platform. It is in active discussions with a few operators and expects to roll out its 4G services by the end of 2016-17.

Venturing into new verticals

Recognising the fact that small players have a limited life in the GSM business, Videocon Telecom is planning to make all its major future investments in non-spectrum businesses, mostly in the enterprise side or new products, which are more in sync with the other businesses of the Videocon Group. To this end, the company has carved out a new vertical of "emerging business" and plans to start services such as e-recharge aggregation and e-wallet soon. The company will continue to add multiple business lines to this vertical and expects to achieve a revenue of

Rs 100 billion by 2020 from this venture.

To further strengthen its non-spectrum business, Videocon is looking at acquiring smaller companies in various fields such as information technology and manufacturing. The company is also planning to strengthen its fibre-to-the-home network in Haryana and Himachal Pradesh.

Future outlook

Going forward, the increased focus on data services and the enterprise segment will help Videocon survive in the hypercompetitive telecom market. The company expects to achieve revenues of Rs 30 billion by March 2016. It also intends to acquire 8 million new subscribers in the Punjab, Haryana and Madhya Pradesh circles in 2016. It will be investing over Rs 4.3 billion in these three circles for network expansion, upgradation, data capacity building and roll-out of 4G services. The company hopes to obtain positive earnings before interest, taxes, depreciation and amortisation in Haryana by the end of 2015-16 and achieve the same in the Madhya Pradesh circle by the first quarter of 2016-17. In a recent interview with tele.net, Arvind Bali, director and chief executive officer, Videocon Telecom, said, “We are going to run our operations on GSM, try to monetise our current investments and look for opportunities like spectrum sharing in circles with partners.”

More spectrum trading deals are on the operator’s agenda in the near term. Recently, it has been reported that Bharti Airtel will acquire Videocon’s spectrum in six circles in the 1800 MHz band for Rs 44.28 billion. It will be interesting to see how things pan out for Videocon Telecom in the coming months.

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