

TELECOM SECTOR IN INDIA



The telecom service sector is treated as a crucial factor to realize the socio-economic objectives in India. Accordingly, the Department of Telecommunications (DoT) has been formulating developmental policies for the accelerated growth of the telecommunication services. The Department is also responsible for grant of licenses of telecom services (Unified Access Service Internet and VSAT service) and frequency management in the field of radio communication in close coordination with the international bodies. It also enforces wireless regulatory measures by monitoring wireless transmission of all users in the country.

India is currently the world's second-largest telecommunications market. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP), according to a Report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG).

It is expected that the Indian telecom sector will generate employment opportunities over the next five years due to increased penetration in rural areas and rapid increase in Smartphone sales and rising internet usage in these areas.

FDI POLICY IN TELECOM

FDI Policy for the telecom sector is as under:

SN	Sector/activity	FDI cap/ equity	Entry routes	Other conditions
1.	<p>Telecom Services (including Telecom Infrastructure Providers Category –I)</p> <p>All telecom services including Telecom Infrastructure Providers Category – I, viz., Basic, Cellular, Unified Access Services, Unified license (Access Services), Unified License, National/ International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), all types of ISP licenses, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability Services, Infrastructure Provider Category – I (providing dark fiber, right of way, duct space, tower) except other service providers.</p>	100%	<p>Automatic up to 49%</p> <p>FIPB (Foreign Investment Promotion Board) beyond 49%</p>	<p>Subject to observance by licensee as well as investors as notified by the DoT from time to time.</p>

TELECOM EQUIPMENT MANUFACTURING

The investments in telecom equipment manufacturing sector are as below:

Sn No	Name	Location	Nature of Project
1.	Ericsson	Jaipur	Facility for manufacturing GSM base stations and mobile switching equipment
	Ericsson	Chennai	R&D facility and global service delivery center
	Ericsson	Gurgaon	R&D facility and global service delivery center
2.	Elcoteq	Bangalore	Telecom manufacturing
3.	LG	Pune and Noida	Mobile handsets, etc.
4.	Nokia	Chennai	Mobile handsets manufacturing
	Nokia	Chennai	Global Network Operation Centre for customers in Asia Pacific Region, Europe, Middle East and Africa
5.	Aspocom	Chennai	High density interconnections PCB manufacturing plant
6.	Salcomp	Chennai	Mobile phone chargers
7.	HonHai (FoxConn) Precision Industry Co.	Chennai	Manufacturing of mobile handsets and components and electronic hardware and related services
8.	Perlos	Chennai	Handset mechanics
9.	Laird Technologies	Chennai	Manufacturing of mobile phone accessories
10.	Alcatel	Chennai	WiMax Centre, etc.
11.	Samsung	Manesar, Gurgaon, Haryana	Handset manufacturing

12.	Flextronics	Chennai	Manufacturing of telecom hardware such as cell phones, set top boxes, optical networking systems, etc. mechanical and system integration of base stations
13.	Motorola	Chennai	Manufacturing of Motorola's first made in India low-cost GSM phone
	Motorola	Chennai	Manufacturing of handsets
14.	Nokia Siemens Network	Chennai	Wireless network equipment
15.	Velankani Information System Pvt. Ltd.	Sriperumbudur, Kanchipuram	Electronic hardware & software including ITES

MARKET SIZE



Driven by strong adoption of data consumption on handheld devices, the total mobile services market revenue in India is expected to touch USD 37 billion in 2017, registering a Compound Annual Growth Rate (CAGR) of 5.2 per cent between 2014 and 2017, according to a research firm International Data Corporation (IDC).

India is expected to have over 180 million smartphones by 2019, contributing around 13.5 per cent to the global Smartphone market, based on rising affordability and better availability of data services among other factors.

According to a report by a leading research firm Market Research Store, the Indian telecommunication services market will likely grow by 10.3 per cent year-on-year to reach USD 103.9 billion by 2020.

According to the Ericsson Mobility Report India, smartphone subscriptions in India is expected to increase four-fold to 810 million users by 2021, while the total smartphone traffic is expected to grow seventeen-fold to 4.2 Exabytes (EB) per month by 2021.

According to a study by GSMA, smartphones are expected to account for two out of every three mobile connections globally by 2020 making India the fourth largest smartphone market. Total number of Fourth-Generation (4G) enabled smartphone shipments in India stood at 13.9 million units in the quarter ending December 2015, which was more than 50 per cent of total shipments, thereby surpassing number of Third-Generation (3G) enabled smartphone shipments for the first time. Broadband services user-base in India is expected to grow to 250 million connections by 2017.

FOREIGN INVESTMENTS IN TELECOM SECTOR IN INDIA



With daily increasing subscriber base, there have been a lot of investments and developments in the sector. The industry has attracted FDI worth USD 18.38 billion¹ during the period April 2000 to March 2016, according to the data released by Department of Industrial Policy and Promotion (DIPP). Some of the major developments in the recent past are:

- i) LeEco, a Chinese technology company, has entered into a partnership with Compal Technologies and invested USD 7 million to set up manufacturing facility at Greater Noida in order to start manufacturing Le2 Smartphones in India.
- ii) Chinese Smartphone maker Gionee, which currently assembles Smartphones in partnerships with contract manufacturers Foxconn and Dixon, plans to invest Rs 500 crore (USD 74.56 million) to set up a manufacturing facility in India.

¹ www.dipp.nic.in

- iii) Singapore Telecommunications Limited, the major shareholder in Bharti Airtel, has announced that it has signed an agreement with its majority owner Temasek Holdings Private Limited to purchase a 7.39 per cent stake in Bharti Telecom Limited, the parent company of Bharti Airtel Limited, in a deal worth USD 659.51 million.
- iv) Vodacom SA, a subsidiary of Vodafone Plc, has entered into an agreement with Tata Communications Ltd to buy the fixed-line assets of TataComm's South African telecom subsidiary Neotel Pty Ltd.
- v) Reliance Communications Ltd, India's fourth largest mobile services provider, has agreed to acquire Sistema Shyam TeleServices Ltd (SSTL), the local unit of Russian company Sistema JSFC, in a deal valued at Rs 4,500 crore (USD 671.01 million), which includes payments to the Government for spectrum allotted to Sistema.
- vi) Swedish telecom equipment maker Ericsson has announced the introduction of a new radio system in the Indian market, which will provide the necessary infrastructure required by mobile companies in order to provide Fifth-Generation (5G) services in future.



TELECOM INFRASTRUCTURE PROJECTS IN INDIA

1. The Union Communications and Information Technology Minister Ravi Shankar Prasad has said that the Central Government is launching a project worth Rs.5,000 crore for development of telecom infrastructure in the northeastern states. India and Bangladesh have signed an agreement in June 2015 to develop the telecom sector in the Southeast Asian countries.

Agartala has become the third international internet gateway of India in 2016. An optical fiber cable (OFC) link has been installed between the Akhaura check post (2km west of Agartala) and Cox's Bazar in Bangladesh, and BSNL has extended the underground OFC cable up to their main technical office in the North Gate area of Agartala to avail an initial bandwidth of 10 gigabit (GB) from Bangladesh Submarine Cable Company Limited (BSCCL) on lease. This will provide

telecommunication and internet connectivity to the northeastern states as well as rest of the country. As a mark of interdependence and interconnectivity, a power transmission project has been started at Tripura's Palatana plant which will supply 100 MW power to Bangladesh.



2. The consortium formed by Hitachi Ltd. (Tokyo, Japan), Mitsui & Co. Ltd. (Tokyo, Japan) and Hitachi India Pvt. Ltd. (Delhi, India) has entered into a contract in 2015 with the Dedicated Freight Corridor Corporation of India Ltd. (DFCCIL), Government of India, for the supply and installation of signaling and telecommunications systems along a part of the dedicated freight corridor between Delhi and Mumbai, which will provide centralized monitoring of each train's position on the track, electronic interlocking equipment to ensure the safe operation of trains and a telecommunication system to link all of these systems. This will contribute to the creation of a safe and modern logistics infrastructure system in India.
3. Most of the telecom towers in India use diesel generator sets to provide power to their antennas ("Purpose") which are high on operating costs and also emit huge amounts of greenhouse gases. Tata Power Solar, a 100% subsidiary of Tata Power provides green and environment friendly high-performance applications i.e. solar photovoltaic (PV) panels which use renewable energy to serve the same Purpose.
4. The new telecom venture, Jio Infocomm, which was officially launched in 2016 by Reliance Industries Limited (RIL), has been planning to invest a sum of Rs. 30,000 crore into Reliance Jio Infocomm to develop and improve its signal strength.



5. The Government of Andhra Pradesh (AP) had launched the AP Fiber Grid Project in 2016 to provide affordable broadband and net connectivity to all households and Government and private offices which will help in realization of the vision of Digital Andhra Pradesh.
 - I. **Under the Phase I of the Project**, electrical poles will be used to lay overhead fiber net cable to provide broadband connection with 15 Mbps speed at Rs 149 per month for households and 100 Mbps connections to offices at Rs 999 per month; and each connection will get 100 free-to-air TV channels and telephone facility within the same cable network.
 - II. **Under the Phase II of the Project**, an underground fiber network set up, upon completion of the aerial network set up, will make available qualitative and affordable digital services to various households, Government offices and private agencies on demand in the State of AP.
6. A Dubai based private equity firm, New Silk Route, plans to invest in the telecom sector in India because the demand for telecom services in rural areas has increased and there is need for additional towers. It has raised its stake in Ascend Telecom Infrastructure, which provides towers to most of the telecom companies in India, to 70 per cent over the last four years.
7. As per the Ernst and Young's 15th biannual Telecommunications Global Capital Confidence Barometer 2016, mergers and acquisitions in the telecomm sector in India have been on the rise because of major factors like impact of advances in technology and digitalization on the business models of the telecom companies leading to the increased need for acquiring talent from sectors outside telecom.
8. Google Inc has been planning to launch Project Loon (“Project”) in India where helium balloons, floating hundreds of feet above the ground, will be used instead of cellular towers to emit signals and provide affordable internet access to rural and difficult-to-access areas. Google plans to partner with telecom companies in India so that they share their cellular spectrum for the use of Project balloons.



GOVERNMENT INITIATIVES

The Indian Government has fast-tracked reforms in the telecom sector and continues to be proactive in providing room for growth of telecom companies. Some of the other major initiatives taken by the Government are as follows:

- a) The Ministry of Communications & Information Technology has launched Twitter Sewa, an online communication platform for registration and resolution of user complaints in the telecommunications and postal sectors.
- b) The Telecom Regulatory Authority of India (TRAI) has released a consultation paper which aims to offer consumers free internet services within the net neutrality framework and has proposed three models for free data delivery to customers without violating the regulations.
- c) The Government of India has liberalized the payment terms for spectrum auctions by allowing two options of payments to telecom companies for acquiring the right to use spectrum, which include upfront payment and payment in installments.
- d) The DoT has amended the Unified License for telecom operations which will allow sharing of active telecom infrastructure like antenna, feeder cable and transmission systems between operators, thereby lowering the costs of operations and leading to faster rollout of networks.
- e) Under the BharatNet Project of the Government of India, Bharat Broadband Network Ltd (BBNL) has been handling the roll out of high-speed optical fiber-cable network across 90,000 rural areas of the country. As of November 2016, the optical fiber has reached 59,945 Gram Panchayats. But for more efficient and time bound implementation of the Project, TRAI has recommended a Public-Private Partnership (PPP) model for BharatNet.
- f) The Ministry of Skill Development and Entrepreneurship (MSDE) signed a Memorandum of Understanding (MoU) with the DoT to develop and implement National Action Plan for Skill Development in the telecom sector, with an objective of fulfilling skilled manpower requirement and providing employment and entrepreneurship opportunities in the sector.

g) TRAI has directed² the telecom companies or mobile operators to compensate the consumers in the event of call drops with a view to reduce the increasing number of dropped calls.

As per a report of the Microsoft, India will emerge as a leading player in the virtual world by having 700 million internet users of the 4.7 billion global users by 2025. With the Government's favorable regulation policies and 4G services hitting the market, the Indian telecommunication sector is expected to witness fast growth in the next few years³

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² www.trai.gov.in

³ Sources: DoT; DIPP; and TRAI