

During the quarter ended June 2015, Telewings Communications, which operates under the Uninor brand, turned profitable at the operating level for the first time since it forayed into the Indian market in 2008. {K2Splitter}

During the quarter ended June 2015, Telewings Communications, which operates under the Uninor brand, turned profitable at the operating level for the first time since it forayed into the Indian market in 2008. This has mainly been possible on account of an improvement in the company's operational and financial performance over the past few quarters.

Uninor has reported an improved top line each quarter in the past two years, barring the April-June 2015 quarter. The company's revenues have grown at a compound annual growth rate of 37 per cent, from NOK 728 million for the quarter ended June 2013 to NOK 1,362 million for the corresponding quarter in 2015. The growth in revenues can be primarily attributed to the significant increase in mobile subscribers, even though average voice usage has remained almost stagnant and, in fact, has fallen in the past two quarters.

Uninor's focus on being a low-price operator in the market through its Sabse-Sasta and Internet for All campaigns has been one of the major reasons for the continuous growth in its subscriber base and revenues. While the majority of service providers have been targeting high-ARPU customers across the country, Uninor has been largely focusing on a few circles with its mass-market strategy.

The increase in the subscriber base has also been achieved through aggressive expansion of its distribution network and the launch of customer-relevant products and services at affordable tariffs. For instance, instead of offering monthly data packages that may seem costlier to consumers, Uninor has been offering hourly, daily and weekly plans. The company has also launched special combo data packages for social networking services such as Facebook and WhatsApp. It claims that these services are driving data traffic growth on its network and resulting in subscriber addition.

However, companies in India have realised that only offering relevant services will not be sufficient, especially in Tier II and Tier III cities, some of which are also covered by Uninor. To this end, the operator has been educating the masses about its services and their benefits. For instance, it launched a campaign, "Internet on Wheels", in the Uttar Pradesh (East) circle

wherein the company hired vans with trained personnel, which travelled across the circle and offered free internet service for a day to create awareness amongst people. In the past as well, Uninor has been at the forefront of launching customer-centric campaigns to drive the adoption of its mobile services. Under its Blue Petal initiative, for instance, autorickshaw drivers and bikers acted as mobile points of sale to reach the customer's location rather than the customer coming to the retail store to buy a SIM card.

Uninor's strategic focus on the masses in limited circles is turning out to be a prudent move, given that the telecom business is highly capital intensive and the Indian market is characterised by immense competition. For most new entrants, operating at a pan-Indian level is not only less efficient but also risky from an investment perspective.

In fact, it is Uninor's efficiency and expense optimisation that have allowed it to remain competitive with incumbent companies despite having a limited presence in India. To further improve its network efficiency and make it future-ready, the operator has firmed up plans to upgrade its infrastructure. The company has selected Huawei to transform its 24,000 base transceiver stations across its six operational circles. Uninor is of the view that network transformation will enable it to offer 4G services going forward.

This is in line with the company's future plans, which include the launch of 4G services. Uninor has stated that it may look to leapfrog from offering 2G services to 4G directly, using long term evolution-frequency division duplex technology. To this end, the company had acquired additional spectrum in the 1800 MHz band in many of its operational circles in the February 2014 auction. It acquired 1.8 MHz spectrum in Uttar Pradesh (East), 2 MHz in Uttar Pradesh (West), 2.2 MHz in Bihar, 1.4 MHz in Andhra Pradesh and 6 MHz in Assam. With this, Uninor has increased its total spectrum holdings to 43.4 MHz as of March 2015 and ensured that it holds more than 5 MHz of airwaves in each of its operational circles.

Given this, the company seems to be equipped to offer 4G services in some of its circles, without compromising on the quality of voice services. However, Uninor has adopted a wait-and-watch approach and is not in a hurry to launch 4G services as it believes that the device ecosystem is still not mature. It is of the view that 4G will take another two years to gain traction. By then, the company intends to acquire more spectrum for 4G services through auctions and share or trade airwaves with other operators.

The company may also opt for mer-gers and acquisitions to augment its spectrum holding and

increase its footprint. Uninor is reportedly planning to acquire a majority stake in Videocon Telecom. Given that the operations of the two companies will overlap in only four circles, the deal will not only allow Uninor to gain synergies in the existing circles but also help it expand operations to new circles. With Videocon holding liberalised spectrum in the 1800 MHz band, the acquisition would allow Uninor to offer 4G services and not pay any additional amount to the government for spectrum. Meanwhile, with spectrum trading guidelines being approved by the union cabinet recently, Uninor may be more inclined to acquire spectrum from other operators, rather than purchasing an entire company, as most players have huge debt on their balance sheets. Trading would also enable Uninor to buy specific-frequency airwaves so as to make its spectrum holdings contiguous, which will help it provide a better user experience with respect to data services.

In light of these developments, Uninor seems well positioned to achieve significant growth in the near future. Its constant focus on offering targeted services at affordable rates as well as optimising operations will allow it to improve its profitability. Through its network transformation deal with Huawei, Uninor is targeting a 30 per cent reduction in network opex and reckons that the new equipment will entail lower bandwidth consumption and ensure more extensive network coverage.

Although Uninor refrained from purchasing spectrum in the March 2015 auction, it intends to obtain additional airwaves through auctions or spectrum sharing/trading or acquisition to offer 4G services in the near future. Also, the company is likely to launch services in the Assam circle where it is targeting growth similar to that achieved in its other operational circles. This will be a part of its capital investments of Rs 5 billion earmarked for 2015.

In sum, although Uninor is still a small player in the Indian telecom market, its approach and strategic planning have enabled it to become the fourth largest player in some of its operational circles. If the company is able to sustain its growth in the future, it may well be a challenger to the top three incumbents in its operational circles.

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