

INDIAN TELECOMMUNICATION SECTOR

I Introduction

Indian telecom industry is growing at a great pace & India is expected to become a manufacturing hub for telecom equipment. Indian telecom equipment manufacturing sector is set to become one of the largest sectors globally by 2010. Due to rising demand for a wide range of telecom equipment, particularly in the area of mobile telecommunications, has provided excellent opportunities to domestic and foreign investors in the manufacturing sector.

II Opportunitie s

The Indian telecom market is expected to grow three fold by 2012 & market size over US \$ 8 billion. Moreover the government has set a target of 20 million broadband connections by 2010.

The National Telecom Policy 1999 targets tele-density at 15 per cent by 2010. This will entail an investment of US \$ 40- 50 billion over the next 6-8 years.

There is an immense opportunity for DTH in the Indian market which is almost 10 times compared to the developed countries like the US and Europe. For every channel there is a scope for broadcasting it in at least ten different languages. So every channel multiplied by ten that is the kind of scope for DTH in the country. India's media players have all the ingredients to develop a successful DTH industry. So currently there is a lot of pent-up demand in the Indian market for DTH.

It is expected that by the year 2010 there will be over 500 million subscribers in the Indian telecom market. Cellular subscriber base is projected to grow at a CAGR (Compounded Annual Growth Rate) of 48 per cent & expected to reach 88 million in 2012.

Over 150% growth in telecom services is projected in 5 years. India will require large investments in network infrastructure & India expected to be fastest growing telecom market in the world. Since the project expected to reach 30-40% per year 250 subscribers by 2009- 2010.Total estimate of investment opportunity of USS 22 billion expected over the next five years.

Investment opportunity of \$22 billion across many areas:

- Telecom Devices and Software for Internet
- Broadband and Direct To Home Services

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- Gateway exchange
- Set top box
- Modem
- Mobile handsets and consumer premise equipments
- Gaming devices
- EPABX
- Telecom Software
- Telecom Services for voice and data via a range of technologies.

With the rapid growth of the telecom network, there are further opportunities to expand the telecom infrastructure and research and development.

III Regulatory policy

The Department of Telecommunications (DOT) under the Ministry of Communications and Information Technology is the concerned authority for all matters relating to telecom. The department is responsible for formulating the developmental policies; granting licenses for various telecom services; promoting standardization, research and development as well as private investment in the sector.

An independent regulatory body called as the Telecom Regulatory Authority of India (TRAI) was established in 1997, under the Telecom Regulatory Authority of India Act, 1997. The Telecom Regulatory Authority of India Act, 1997 was amended by the Telecom Regulatory Authority of India (Amendment) Act, 2000. By the Amendment Act, an Appellate Tribunal known as the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) has been set up to protect the interests of service providers and consumers of the telecom sector.

74% to 100% FDI permitted for various telecom services.

FIPB approval required for foreign investment exceeding 49% in all telecom services.

100% FDI permitted in telecom equipment manufacturing on automatic approval basis.

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India has a telecom policy viz. Telecom Policy of 1994 aims to encourage private and foreign investment. Which has opened the doors of the sector for private players and the process was given a further boost by the telecom policy announced in 1999 viz. New Telecom Policy 1999.

Other enactments which govern the telecom sector are as follows:

Indian Telegraph Act, 1885

Indian Telegraph (Amendment) Rules, 2000

Indian Wireless Act, 1933

Cable Television Networks (Regulations) Act, 1995.

Information Technology Act, 2000

Broadband Policy 2004

IV Incentives to invest

Tax incentives under the current Budget

Customs duty on convergence products to be reduced from 10% to 5%.

Exemption from excise duty for specified inputs and raw materials for manufacture of specified electronics/ IT hardware to lower the network cost for telecom service providers.

Specified parts of set top boxes and specified raw materials for use in the IT/electronic hardware industry to be exempted from customs duty.

Internet telecommunication service brought under the service tax net. And countervailing duty on wireless data modem cards with exempted by way of excise duty exemption.

V Projections in the current Budget

Budget has proposed a Bharat Nirman project wherein 52 villages are targeted to provide telephones.

And center has proposed to 170 crore rupees for OFC based Network for Defence Services and 158 for C-DoT (including Telecom testing and security certification Centre).

VI Conclusion



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Indian telecom is world's fastest growing telecom expected grow three fold by 2012. Tremendous strides in this industry have been facilitated by the supportive and liberal policies of the Government. Especially the Telecom Policy of 1994 which opened the doors of the sector for private players. Rising demand for a wide range of telecom equipment has provided excellent opportunities for investors in the manufacturing sector.

Provision of telecom services to the rural areas in India has been recognized as another thrust area by govt. which also helps for the enormous opportunities in this sector.

Therefore telecom sector in India is one of the fastest growing sectors in the country and has been zooming up the growth curve at a feverish pace in the past few years. And even the Indian Wireless Market is booming which has plenty of room for growth.