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Globe Talk: India lures Vodafone, SingTel

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India's attractiveness to international investors is second only to China these days, as the race to expand market share on the subcontinent and tie up with local businesses continues to intensify. The telecommunications sector is no exception, but competition to woo Indian providers among some of the world's biggest cellular carriers is heightening as a result.

For its part, British mobile giant Vodafone is certainly betting that business opportunities in India will only increase, having announced last week that it will buy a 10-percent stake in Bharti Tele-Ventures Limited, one of the country's leading cellular providers, for $1.5 billion.

There is no doubt that India's economy with its 1.1 billion people is booming, and Vodafone has already hinted that it would be interested in increasing its stake in the company even further.

Still, Vodafone is far from alone in seeing the allure of the Indian mobile market, and it is not the only foreign company that has a significant shareholding in BTVL. Singapore's SingTel already has 31 percent of total shares in the carrier, and it too has expressed interest in bolstering its shares in the company following Vodafone's purchase announcement.

To the credit of the Indian government, such aspirations by foreign companies has only been possible for the past few weeks, given that India has only recently increased the upper limit of equity holding by a foreign company to 74 percent from 49 percent. And some international companies are eager to take full advantage of the deregulatory measures.

Certainly, neither Vodafone nor SingTel can lose sight of the fact that India now has the third-largest mobile market in Asia after China and Japan. In the case of Vodafone, it has a strong foothold in both Japan and China, so it seems logical that it would want to gain entry into the next big market in the region.

Moreover, even though India's population is young, the number of those already hooked up to a phone line remains relatively small, with mobile and fixed-line penetration estimated at approximately 6 percent and 4.4 percent respectively, thus suggesting potential for considerable growth in coming years.

Indeed, the British mobile group said that it expects the Indian mobile market to grow over 53 percent each year, or about 22.6 million new customers signing up for services on an annual basis.

In announcing the transaction, Vodafone Chief Executive Arun Sarin stated, "Together we will take this venture to a new level as clear leader in this market. We are entering a relationship with a major company which shares our vision and values and understands, as we do, the enormous potential of mobile telephony in society. This transaction is consistent with Vodafone's strategy of developing our global footprint in growth markets, where we can create value for shareholders," adding that he expected to "bring Bharti that global skill and scope as well."

Interestingly enough, it will be a homecoming of sorts for the Vodafone chief, given that he is an Indian-born British citizen, and some analysts argue that will only increase the company's appetite to commit itself further to the subcontinent's telecommunications market.

For his part, meanwhile, BTVL Chairman Sunil Bharti Mittal said, "When Bharti stands on the threshold of being a telecom powerhouse, the partnership with Vodafone will help in achieving its vision of making

(BTVL service) Airtel the most admired brand in India."

The problem for both SingTel and Vodafone, however, is that Mittal might want to keep the greater part of BTVL's future success to himself. At a news conference in New Delhi, Mittal made clear he has no interest in relinquishing more of his hold on the company, pointing out that his family has 45.9-percent of total shares and that they have "no intention" of diluting their power.

So rather than a war between the foreign companies to win over the Indian company, their stiffest opposition to increasing their shareholding in BTVL may well come from the company itself.

Nevertheless, there may be some hope for foreign companies to boost their shares in BTVL, as Mittal was careful to praise both SingTel and Vodafone as shareholders in his company, especially at a time when other major international telecommunications groups such as British Telecom still remain cautious about investing too heavily in the country.

For now, though, there is no doubt that Vodafone investors are excited that the British mobile giant has made the right move in wanting to do business in the subcontinent.

"After a disappointing start during the 1990s, the Indian mobile market is now looking good," said Robin Hearn, service manager at London-based information-technology research group Ovum. He added that while there is fierce competition for the anticipated 140 million new subscribers over the next five years, "Bharti is very well placed to exploit this," especially if it can make full use of Vodafone's market expertise and product lineup.

"Vodafone is returning to a market from which it has been conspicuously absent, particularly given the company's stated growth aims and the market's obvious potential. All in all, this is a good move for Vodafone's global ambitions and though there are still plenty of growth markets out there, picking those that will deliver true value is getting harder," Hearn added.