Vodafone India

Vodafone India, formerly Vodafone Essar and Hutchison Essar, is the second largest mobile network operator in India after Airtel. It is based in Mumbai, Maharashtra and which operates nationally. It has approximately 144.99 million customers.

On July 2011, Vodafone Group agreed terms for the buy-out of its partner Essar from its Indian mobile phone business. The UK firm paid $5.46 billion to its Indian counterpart to take Essar out of its 33% stake in the Indian subsidiary. It will leave Vodafone owning 74% of the Indian business, while the other 26% will be owned by Indian investors, in compliance with Indian law. On 11 February, 2007, Vodafone agreed to acquire the controlling interest of 67% held by Li Ka Shing Holdings in Hutch-Essar for US$11.1 billion, pipping Reliance Communications, Hinduja Group, and Essar Group, which is the owner of the remaining 33%. The whole company was valued at USD 18.8 billion. The transaction closed on 8 May, 2007. It offers both prepaid and postpaid GSM cellular phone coverage throughout India with good presence in the metros.

Vodafone India provides 2.75G services based on 900 MHz and 1800 MHz digital GSM technology. Vodafone India launched 3G services in the country in the January-March quarter of 2011 and plans to spend up to $500 million within two years on its 3G networks.

History

Hutchison Essar (1992-2007)

In 1992, Hutchison Whampoa and its Indian business partner – Max Group, established a company that in 1994 was awarded a licence to provide mobile telecommunications services in Bombay (now Mumbai) and launched commercial services as Hutchison Max in November 1995. In Delhi, Uttar Pradesh (East), Rajasthan and Haryana, Essar Group was the major partner. But later Hutch took the majority stake.
By the time of Hutchison Telecom's Initial Public Offering in 2004, Hutchison Whampoa had acquired interests in six mobile telecommunications operators providing service in 13 of India's 23 licence areas and following the completion of the acquisition of BPL Mobile that number increased to 16. In 2006, it announced the acquisition of a company (Essar Spacetel — A subsidiary of Essar Group) that held licence applications for the seven remaining licence areas. Initially, the company grew its business in the largest wireless markets in India — in cities like Mumbai, Delhi and Kolkata. In these densely populated urban areas it was able to establish a robust network, well known brand and large distribution network – all vital to long-term success in India. Then it also targeted business users and high-end post-paid customers which helped Hutchison Essar to consistently generate a higher Average Revenue Per User (ARPU) than its competitors. By adopting this focused growth plan, it was able to establish leading positions in India's largest markets providing the resources to expand its footprint nationwide.

In February 2007, Hutchison Telecom announced that it had entered into a binding agreement with a subsidiary of Vodafone Group Plc to sell its 67% direct and indirect equity and loan interests in Hutchison Essar Limited for a total cash consideration (before costs, expenses and interests) of approximately $11.1 billion.

Hutch was often praised for its award winning advertisements which all follow a clean, minimalist look. A recurrent theme is that its message "Hi" stands out visibly though it uses only white letters on red background. Another successful ad campaign in 2003 featured a pug named Cheeka following a boy around in unlikely places, with the tagline, "Wherever you go, our network follows." The simple yet powerful advertisement campaigns won it many admirers. Ads featuring the pug were continued by Vodafone even after rebranding. The brand subsequently introduced ZooZoo which gained even higher popularity than was created by the Pug. Vodafone's creative agency is O&M while Harit Nagpal was the Marketing Director during the various phases of it's brand evolution.

Timeline

1992: Hutchison Whampoa and Max Group establish Hutchison Max
2000: Acquisition of Delhi operations and entry into Calcutta (now Kolkata) and Gujarat markets through Essar acquisition

2001: Won auction for licences to operate GSM services in Karnataka, Andhra Pradesh and Chennai

2003: Acquired AirCel Digilink (ADIL — ESSAR Subsidiary) which operated in Rajasthan, Uttar Pradesh East and Haryana telecom circles and rebranded it 'Hutch'.

2004: Launched in three additional telecom circles of India namely Punjab, Uttar Pradesh (West) and West Bengal.

2005: Acquired BPL Mobile operations in 3 circles. This left BPL with operations only in Mumbai, where it still operates under the brand 'Loop Mobile'.

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2007: Vodafone acquires a 67% stake in Hutchison Essar for $10.7 billion. The company is renamed Vodafone Essar. 'Hutch' is rebranded to 'Vodafone'.

2008: Vodafone acquires the licences in remaining 7 circles and has starts its pending operations in Madhya Pradesh circle, as well as in Orissa, Assam, North East and Bihar.

2011: Vodafone Group buys out its partner Essar from its Indian mobile phone business. It paid $5.46 billion to take Essar out of its 33% stake in the Indian subsidiary. It left Vodafone owning 74% of the Indian business.

Vodafone acquires Essar's Stake

On March 31, 2011, Vodafone Group Plc announced that it would buy an additional 33% stake in its Indian joint venture for $5 billion after partner Essar Group exercised an option to sell the holding in the mobile-phone operator. The deal will raise Vodafone’s stake to 75%. Essar will exit the company after it implemented a put option over 22% of the venture. Vodafone exercised its call option to buy an 11% stake.[5]

In 2007, Vodafone granted options to Essar that would enable the conglomerate to sell its entire stake for $5bn, or to dispose of part of the 33 per cent shareholding at an independently appraised fair market value. In January 2011, Vodafone objected to Essar’s plans to place part of its 33% stake in India Securities, a small public company. Vodafone feared the move would give an inflated market value to Vodafone Essar.[6] It had approached the market regulator SEBI and also filed a petition in the Madras High Court.

The final shareholding pattern post this deal was not provided by the company as it was not clear whether Vodafone’s stake would exceed the 74 per cent FDI limit. Indian laws don’t allow foreign companies to own more than 74% in a local mobile-phone operator. Vodafone has assured it will comply with local rules. Vodafone will have to sell that 1% to some Indian entity, or they’ll have to consider an initial public offering. Vodafone also said that final settlement is anticipated to be completed by November 2011. The completion of the deal would be subject to meeting certain conditions which include Reserve Bank of India's permission as well as valuation of the deal.[7]

Vodafone-Hutchison Tax Case

Vodafone is embroiled in a $2.5 billion tax dispute with the Indian Income Tax Department over its purchase of Hutchison Essar Telecom services in April 2007. It is being alleged by the Indian Tax authorities that the transaction involved purchase of assets of an Indian Company, and therefore the transaction, or part thereof is liable to be taxed in India.[8]

Vodafone Group Plc. entered India in 2007 through a subsidiary based in the Netherlands, which acquired Hutchison Telecommunications International Ltd’s (HTIL) Hutchison Telecommunications International Limited stake in Hutchison Essar Ltd (HEL)—the joint venture that held and operated telecom licences in India. This Cayman Islands transaction, along with several related agreements, gave Vodafone control over 67% of HEL and extinguished
Hong Kong-based Hutchison’s rights of control in India, a deal that cost the world’s largest telco $11.2 billion at the time.\textsuperscript{[9]}

The crux of the dispute till now has been whether or not the Indian Income Tax Department has jurisdiction over the transaction. Vodafone has maintained from the outset that it is not liable to pay tax in India, and even if tax were somehow payable, then it should be Hutchison to bear the tax liability.

The Supreme Court of India has concluded the final hearing on the case and the judgment will be issued soon. The verdict is likely to have a bearing on investment flows into India. China has since changed its laws to ensure that transactions of this nature fall within its tax web.

3G

On 19 May 2010, the 3G spectrum auction in India ended. Vodafone paid ₹11617.86 million (the second highest amount in the auctions) for spectrum in 10 circles. The circles it will provide 3G in are Delhi, Kanpur, Gujarat, Haryana, Kolkata, Maharashtra & Goa, Mumbai, Tamil Nadu, Uttar Pradesh (East) and West Bengal.\textsuperscript{[10]} Vodafone also operates 3G services in Kerala, Andhra Pradesh and Uttar Pradesh (West) through an agreement with Idea and in Karnataka through an agreement with Airtel. This gives Vodafone a 3G presence in 13 out of 22 circles in India. On 16 March, 2011, Vodafone launched 3G services in Uttar Pradesh (East) in the city of Lucknow.\textsuperscript{[11]} Vodafone had already launched limited 3G services in Chennai and Delhi earlier, but the Uttar Pradesh (East) launch counts as its first fully commercial launch. This makes Vodafone the fifth private operator (seventh overall) to launch its 3G services in the country following Tata Docomo, Reliance Communications, Airtel and Aircel.

On 23rd June, 2011 Vodafone launched 3G service in Kerala by joining with Idea in an Intra Circle Roaming agreement. Initially Vodafone 3G services will be available in the following cities in Kerala – Ernakulam, Aluva, Calicut, Koyilandy, Alappuzha, Cherthala, Malappuram and Manjeri.

**Subscriber Base**

Following is the Vodafone India subscriber base statistics as on June 2011.\textsuperscript{[12]}

Total number of Vodafone India Subscribers : 14,15,19,840, i.e. 23.63\% of the total 59,87,79,674 Indian mobile phone subscribers.


**Inactive Subscribers**

On 19 December 2011, Vodafone said it would discontinue mobile services of prepaid customers whose connections are lying unused — with no voice calls (incoming or outgoing), SMS and data usage — for any continuous period of 60 days. “This guideline has been implemented because the Department of Telecommunications' stringent guideline for allocation of new number series based on subscribers in VLR (visitor location register) has created acute shortage of numbers, for any telecom company,” Vodafone said in a statement. The mobile operator further said that new customers would be intimated of the deactivation process in their starter
kits, while existing customers would be informed via SMS and outbound calls, wherever possible. [3]

As per industry estimates, around 25% of the total subscriber base is lying unused. DoT has asked mobile operators to screen their users and allocate unused numbers to new subscribers.

**Competitors**

Vodafone competes with 14 other mobile operators throughout India. They are Aircel, Airtel, Cheers Mobile, BSNL, Idea, Loop Mobile, MTNL, MTS, Ping Mobile, Reliance Communications, S Tel, Tata DoCoMo, Tata Indicom, Uninor, Videocon and Virgin Mobile.

**See also**

- Vodafone
- Vodafone market share

**References**


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4. ^ "News By Industry". The Times Of India. 21 October 2010.

5. ^ Vodafone to Buy Additional Essar India Stake for $5 billion – Bloomberg

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8. ^ [1]

9. ^ [2].

10. ^ India’s 3G Auction Ends; Operator And Circle-Wise Results – MediaNama

11. ^ GSMA Mobile Business Briefing – Telecoms news from around the world

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External links

- [Vodafone India Official website](#)
- [Vodafone Group Official website](#)