

## Launch of 4G phone with smart features by Reliance Jio

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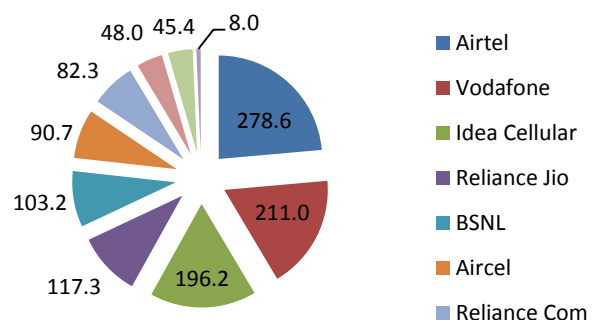
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Last week, at the Annual General Meeting (AGM) of Reliance Industries Limited, Reliance Jio the disruptive new entrant of the Indian telecom sector launched the Jio Phone. Jio Phone is a 4G compatible phone with some smart features and supports VoLTE calls. While the phone is free, the user needs to pay Rs.1,500 as security deposit, which would be refunded after 3 years upon returning the phone. The services like free voice calling, SMS and unlimited data will be available to these mobile users at a charge of a minimum of Rs.153 per month. This is the next disruptive announcement from Reliance Jio post the original announcement of free 4G network in September 2016. It was free network for almost six months and even after that it offers data at very low price.

In Q4, 2016 smart phone and feature phone market in India was dominated by Samsung, followed by Xiaomi, Lenovo, Oppo & Vivo. However, smart phone adoption is still low and feature phone still dominate the Indian mobile phone market. According to GSMA's Mobile Economy Asia Pacific Report 2017, smartphone adoption in India was at 28% in 2016. While, Jio Phone is likely to make a dent in the market share of feature phone players, it is unlikely to have a significant impact on the smartphone market in the country.

CARE Ratings believes that the launch of 4G compatible phone with some smart features by Jio is primarily to gain subscriber base in the telecom services space. Though the introduction of this phone will help the company to increase its subscriber's base, issues of network coverage in very remote areas would be critical for company to sustain subscriber additions.

**Chart 1: Market share of wireless service providers as on May 2017 (in million)**



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Source: CMIE

As on May 2017, Reliance Jio (which launched its services in September 2016) had a market share of 9.9% which represents subscriber base of 117.3 million users. The company now holds fourth position in terms of subscriber base led by Airtel, Vodafone and Idea Cellular. Airtel leads with 23.6% of the total wireless subscriber base as on May 2017, while Vodafone and Idea Cellular had a share of 17.9% and 16.6%, respectively. The total wireless subscriber base was at 1,180.8 million as on May 2017.

After August 2016, the growth in subscriber additions has been primarily driven by Reliance Jio. Of the 151.9 million subscribers added during the period between September 2016 and May 2017, 117.3 subscribers were added by Reliance Jio, followed by Airtel, Idea and Vodafone who added 21.1 million, 19.3 million and 10.8 million subscribers, respectively, while companies like Reliance Communications, Tata Teleservices saw erosion in their subscriber base.

### Concluding remarks

- *CARE Ratings believes that the launch of 4G compatible mobile phone with smart features by Reliance Jio is primarily to further gain subscriber base in telecom services space. While, the introduction of this phone will help the company to increase its subscriber's base, issues of network coverage in very remote areas would be critical for the company to sustain its subscriber additions.*
- *Jio Phone is unlikely to make a significant impact in the smart phone market; however it would make a dent in the market share of feature phone players.*

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