

Indian inflection? When EM can become very relevant for DM

By [James Ratzer](#) | November 29, 2019

In the past, EM growth has been a major driver for some of the developed market equity stories. Telefonica's expansion into Latam was one of the big telco stories from the mid-1990s. Telenor's aggressive Asian expansion in the early part of this millennium also made their equity story stand out as core EU earnings were under pressure. However, EM exposure for developed market telecoms companies has been gradually diminishing over the past 5 years and Telefonica's announcement this week that it now defining all of its Latam assets ex-Brazil as non-core (see [HERE](#) for our view) marks a further retreat. However, arguably no EM market has been more volatile than India. Last week we took Vodafone management around London (see [HERE](#) for more details), and one of the key concerns that shareholders were bringing up was India and whether Vodafone could be liable for yet more cash injections into India on top of the £17bn already committed over the past 10 years. However, just as the roadshow was entering its final meeting, the Government announced a moratorium on spectrum fees, potentially marking a major inflection point in Government thinking and suggesting the risk-reward is now skewed to the upside (see [HERE](#) for more details) and EM exposure could potentially become a major driver for a developed market telco again.

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