

'Tough Competition to Delay Revival of Telecom Sector'

Our Bureau

New Delhi: The much-anticipated recovery in the telecom sector, backed by the restoration of pricing power, may be delayed because intense competition is likely to persist, rating company ICRA said.

The recent rupee depreciation and higher diesel prices are likely to have further hurt India's telecom industry, it said.

ICRA maintained a negative year-end outlook for the sector, saying "stabilisation and pricing restoration are not imminent" because competitive headwinds remain strong with "most operators looking for greater entrenchment" or a push for a higher customer market share.

The likelihood of spectrum auctions, which would entail more spending, would be "an additional financial burden for the telecom industry," said the rating company. The government is yet to decide on when the next sale will take place, although telecom secretary Aruna Sundararajan has said the 5G spectrum sale is expected in the second half of 2019.

The telecom sector has borne the brunt of intense competition unleashed by the entry of Reliance Jio Infocomm in September 2016, which resulted in an erosion of revenue and earnings and consolidation. A recovery "antici-

pated on the back of a consolidated industry structure and (higher) data usage with greater price-inelasticity, has also been prolonged," the rating company said in a statement on Tuesday.

While the telecom industry's debt remains elevated due to lower organic cash flow generation and consistently high capital expenditure requirements, the "recent rupee depreciation has added to the debt levels," it said.

ICRA expects the telecom sector's debt – owed to the government for spectrum purchases and to banks – will reduce to ₹4.2 lakh crore from an estimated ₹4.7 lakh crore in March 2018, with "monetisation of tower assets and promoter support being the major drivers."



The rating company said the capex rate has remained high for most operators in the past few quarters, and it does not envisage any let-up on this score in the medium term. This spending is on the expansion of networks, the upgrading of technology and adding fibre networks – essential for data-heavy usage, it said.

ICRA said the pricing turbulence had led to a decline in revenue and profitability. The consistent downward revision in prices resulted in one of the steepest falls in the industry average revenue per user levels.