

INDIAN TELECOM INDUSTRY

SEPTEMBER 2021

Relief package provides substantial respite to industry and ample time to carry out fundamental repairs

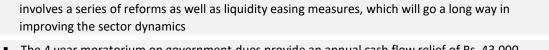
Highlights



The recently announced relief package is a welcome step which will ease the headwinds faced by the industry. The moratorium on the dues provide an annual cash flow relief of Rs. 43,000-46,000 crore from FY2023 till FY2025, with an option to pay the accrued interest by equity or an option with Government to convert the dues to equity at the end of the moratorium. The period till October 2025 allows the industry to carry on fundamental repairs and increase tariffs to improve its cash flow generation







Major relief package announced by the Government to aid the industry structure in long term. It

 The 4 year moratorium on government dues provide an annual cash flow relief of Rs. 43,000-46,000 crore for the industry over FY2023 till FY2025 and provides sufficient time to undertake fundamental repairs and increase tariffs and organically deleverage their balance sheets

- This apart, the accrued interest on the moratorium can be paid by the telcos by way of equity, in addition to an option with the Government to convert the dues pertaining to the moratorium by way of equity. These can further ease the pressure when moratorium ends
- Apart from the liquidity measures, reforms like rationalisation of definition of AGR, abolition of SUC for future spectrum auctions, reduction in BG requirements, and reduction in interest rates on delayed payments can aid in improving the long-term health of the sector
- The Government has identified assets like towers of BSNL/MTNL which have multiple tenancies, as well as fibre assets under BSNL/BBNL for monetisation which is estimated to fetch Rs. 35,100 crore over the next 2-3 years
- The operating metrics of the industry have been steadily improving led by increasing data usage and steady conversion of subscribers to 4G from 2G, as reflected by consistently healthy growth in industry AGR. Further, revenues are expected to increase by 8-10% annually with healthy margins
- Debt continues to remain the industry's Achilles' Heel. Moreover, with the steady growth in revenue and profit generation, the debt coverage metrics are expected to improve as reflected by interest coverage of more than 3 times and debt/EBITDA of 3.9 times for FY2023

Agenda















Recovery in Telecom Sector Continues



Consolidated Industry Financials/ Peer Comparison







	Sabyasachi Majumdar Senior Vice-President	Prashant Vasisht Vice-President	Ankit Jain Assistant Vice-President	Deepak Jotwani Assistant Vice-President
	Group Head	Co-Group Head	Sector Head	
×	sabyasachi@icraindia.com	prashant@icraindia.com	ankit.jain@icraindia.com	deepak.jotwani@icraindia.com
	0124- 4545 304	0124 – 4545 322	0124 – 4545 865	0124- 4545 870





	L. Shivakumar	Jayanta Chatterjee	Naznin Prodhani
	Executive Vice-President	Executive Vice-President	Head Media & Communications
Â.	shivakumar@icraindia.com	jayantac@icraindia.com	communications@icraindia.com
C	022- 6114 3406	080 – 4332 6401	0124 – 4545 860







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