

INDIAN TELECOM INDUSTRY

5G all set to ring in the next round of technology upgrade; debt levels to increase further with the upcoming spectrum auctions

June 2022



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The operating and financial metrics of the industry are on a consistently improving trajectory. The telcos implemented the tariff hikes, which are likely to increase in the operating profits to around Rs. 1.2-1.3 lakh crore in FY2023. Further, the industry is in a transition phase towards technology upgrade to 5G. ICRA expects telcos to spend Rs. 1.0-1.1 lakh crore in the upcoming auctions, which is likely to keep the debt levels elevated at Rs. 5.7 lakh crore as on March 31, 2023.



- The operating metrics of the industry have been steadily improving, led by increasing data usage and steady conversion of subscribers to 4G from 2G. This, coupled with the latest tariff hikes have led to improvement in the ARPU levels, which translated into a steady growth in industry AGR.
- The industry is expected to report a growth of 10-12% in its operating income, which will translate into OPBDITA expansion by 15-18%. Industry consolidated revenues are expected to be around Rs. 2.6-2.7 lakh crore with OPBDITA of around Rs. 1.2-1.3 lakh crore for FY2023.
- India is on the cusp of technology upgrade to 5G and TRAI has submitted its recommendations for the auction. As per recommendations, a total quantum of around 100,000 MHz of spectrum is put to auctions, whose value at reserve price is around Rs. 5 lakh for 20 years.
- The industry has cited that these reserve prices are high, despite the downward revision in the same from the last auctions for 700 MHz and 3300 MHz bands. Nevertheless, TRAI has recommended relaxed payment terms, which is likely to boost the participation.
- ICRA expects a total participation of around Rs. 1.0-1.1 lakh crore, of which the upfront payment (in case telcos opt for 30-year payment plan) will be only to the tune of Rs. 10,000 crore. However, debt levels are expected to increase with addition of deferred payment liabilities of this auction.
- As per ICRA, the total debt of the industry is expected to rise to Rs. 5.7 lakh crore by March 31, 2023. While the external debt is likely to remain stagnated, the deferred liabilities are likely to witness an increase.
- The debt coverage indicators are expected to improve going forward with healthy profit generation. While debt/OPBDITA is expected to increase to 4.5x for FY2024, the same is likely to improve to 4x by FY2025, while the interest coverage is likely to improve to 2.8x for FY2023.



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