

INDIAN TELECOM INDUSTRY

Improvement in operating profile
rings in steady growth; debt
continues to remain elevated

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The operating and financial metrics of the industry are on a consistently improving trajectory. The operating profits are expected to increase to around Rs. 1.3-1.4 lakh crore in FY2023.

The total spending in the spectrum auction was around Rs. 1.5 lakh crore, which will result in industry debt to increase to around Rs. 6 lakh crore as on March 31, 2023, thereby moderating the industry debt/OPBDITA to 4.5x. Further, the industry is in a transition phase towards technology upgrade to 5G.



- 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 12-14% in its operating income, which will translate into OPBDITA expansion by 17-19%. Industry consolidated revenues are expected to be around Rs. 2.6-2.7 lakh crore with OPBDITA of around Rs. 1.3-1.4 lakh crore for FY2023.
- The recently-concluded auctions witnessed the highest ever participation. Telcos bought around 51,236 MHz spectrum for a total value of Rs. 1.5 lakh crore.
- Among the three telcos, RJIL was the most aggressive with a total spend of Rs. 88,078 crore for 24,740 MHz spectrum, followed by BAL, which shelled out Rs. 43,084 crore for 19,868 MHz spectrum and VIL, which bought 6,228 MHz spectrum for Rs. 18,799 crore.
- The 5G rollout is expected to be in a phased manner starting with some select pockets. The low fiberisation level of around 30-35% necessitates fibre roll-out by the telcos. Thus, ICRA expects a capex of around Rs. 3 lakh crore for the industry over the next 4-5 years.
- As per ICRA, the total debt of the industry is expected to rise to more than Rs. 6.0 lakh crore by March 31, 2023. While the external debt is likely to remain stagnated, the deferred liabilities are likely to witness an increase with the conclusion of spectrum auctions.
- The debt coverage indicators are expected to improve post FY2023 with healthy profit generation. While debt/OPBDITA is expected to cross 4.5x for FY2023, the same is likely to improve to less than 4x by FY2025, while the interest coverage is likely to improve to more than 3.0x by FY2025.



ICRA

Analytical Contact Details



Sabyasachi Majumdar

Senior Vice-President

Group Head

Prashant Vasisht

Vice-President

Co-Group Head

Ankit Jain

Vice-President

Sector Head

Neha Mangal

Analyst



sabyasachi@icraindia.com

prashant.vasisht@icraindia.com

ankit.jain@icraindia.com

neha.mangal@icraindia.com



0124- 4545 304

0124 – 4545 322

0124 – 4545 865

0124- 4545 367





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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