

INDIAN TELECOM TOWER INDUSTRY

**Improvement in receivable cycle for
the industry; outlook revised to
Stable from Negative**

MAY 2025





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Business outlook on telecom towers revised to Stable from Negative amid healthy collections from end-customers and moderation in the receivables cycle to around 60 days. Reversal of sizeable provisioning and expectations of healthy addition in tenancies is estimated to support cash generation, which is likely to translate into comfortable debt metrics and improved liquidity position. Transition to 5G and invigorated capex plans of some customers will result in healthy demand for tenancies, with annual capex likely to be around Rs. 10,000-11,000 crore for the industry.



- ICRA has revised the outlook on telecom towers industry to Stable from Negative as the collections have improved, aided by improvement in the credit quality of a few customers, translating into improvement in the cash flow generation as well as liquidity position of industry participants.



- Prolonged weakness in the liquidity position of a few telcos exerted pressure on the tower industry as telcos are the main customers for tower companies, leading to material delays in payments by telcos to tower companies and sizeable provisioning in the past. The same has improved considerably, with timely collections as well as clearance of overdue payments, thereby easing the receivable days below ICRA's threshold for a Negative outlook.



- Further, expected increase in the capex intensity of some of the key customers is likely to result in healthy growth opportunities for the tower companies and can arrest the decline in the tenancy ratio for the industry, which ICRA expects to stabilise at 1.35-1.40x.



- Given the transition to 5G as well as invigorated capex plans of some customers, the tower industry is likely to witness demand for tenancies and, thus, ICRA projects the capex intensity to be high with annual capex of Rs. 10,000-11,000 crore annually for the industry.



- Improvement in collections and expectations of sustenance of the same, coupled with steady tenancy growth, are likely to result in comfortable debt protection metrics for the industry with net debt/OPBDITA at 3.0-3.5x for FY2026.

Thresholds for outlook revision



ARPU > Rs. 220

Tenancy Ratio > 1.5; and
Receivable Days < 50



Rs. 160 < ARPU < Rs. 220

1.1 < Tenancy Ratio < 1.5; and
50 < Receivable Days < 80



ARPU < Rs. 160

Tenancy Ratio < 1.1; and
Receivable Days > 80

Positive developments build up a case for revision in industry outlook

Earlier Concerns

- *Build up of receivables from a few customers; elongating working capital cycle*
- *Credit profile of some key customers was weak*
- *Tenancy ratio might come under pressure in a scenario of further consolidation in the telecom industry, exerting pressure on operational metrics*
- *Expectation of moderation in the profitability of tower companies owing to large provisions*

Developments

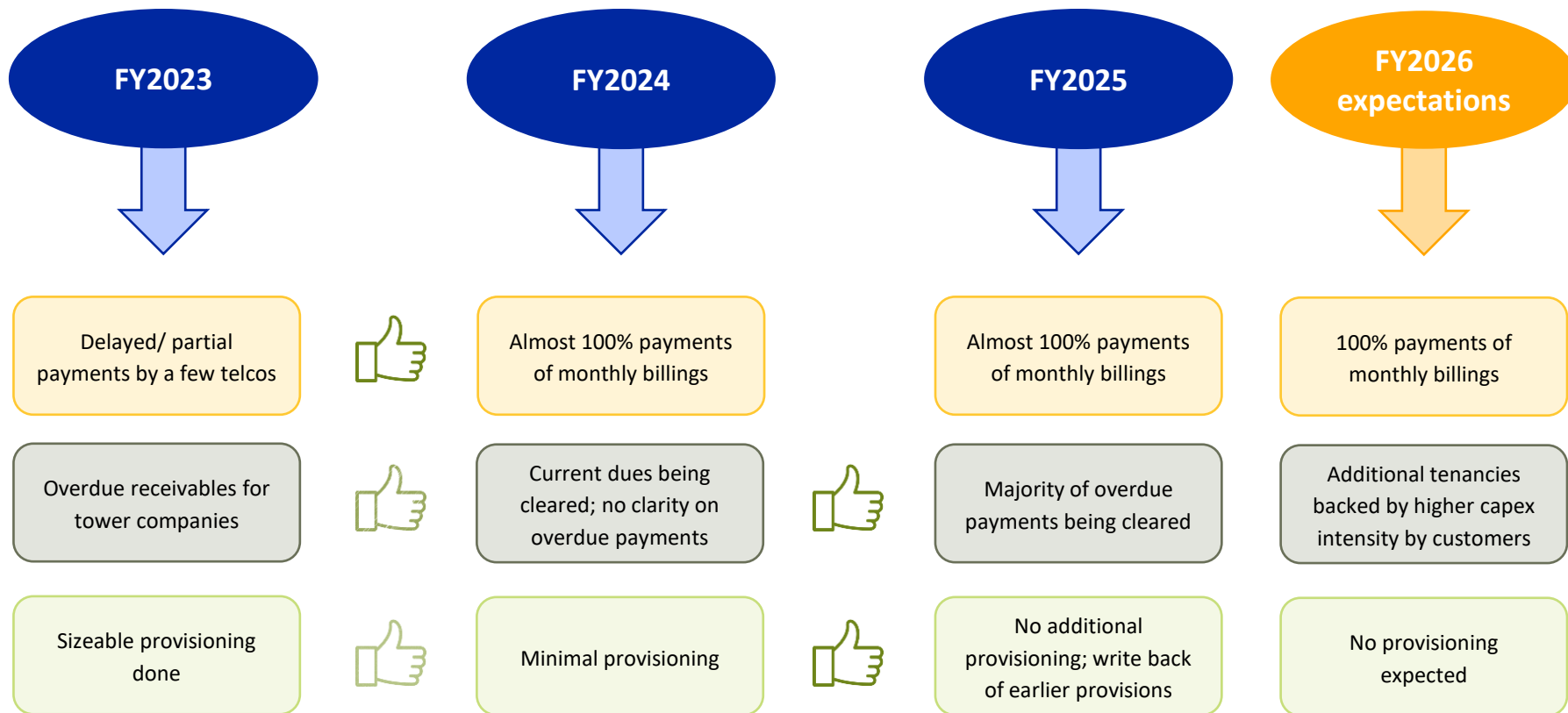
- *Improvement in credit quality of customers*
- *Payments from customers with relatively weak credit profile have been almost 100% of their monthly dues, with no material build up of receivables expected from the existing levels*
- *A large chunk of overdue payments have been cleared for the tower companies*
- *Advent of 5G as well as expectations of increase in capex intensity by some customers presents new opportunities of growth for tower companies, which can be for addition of new towers as well as for additional tenancies on existing towers*

Outlook – Negative



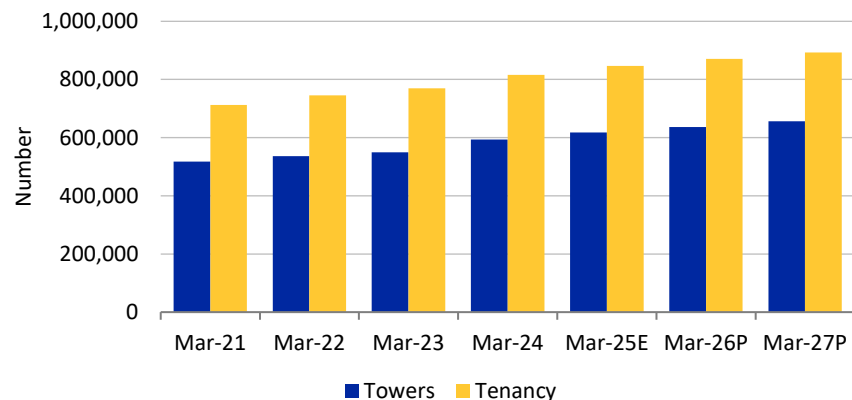
Outlook – Stable

Collections improving after sizeable provisioning in FY2023; overdues cleared



Tenancy additions to continue with advent of 5G; tenancy ratio to stabilise

Exhibit: Towers and tenancies movement – Industry level

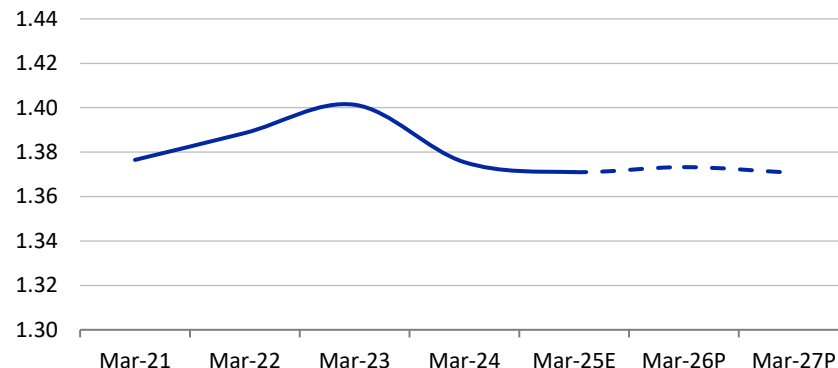


Source: ICRA Research

- With consolidation in the telecom services industry, the tower industry faced tenancy exits, especially during FY2018-FY2020.
- With reduction in telecom service providers, the tenancy ratio witnessed a moderation. Further, with addition of single tenancy towers, the tenancy ratio witnessed a steady decline in the past.

E – estimated; P - Projected

Exhibit: Tenancy ratio over the years

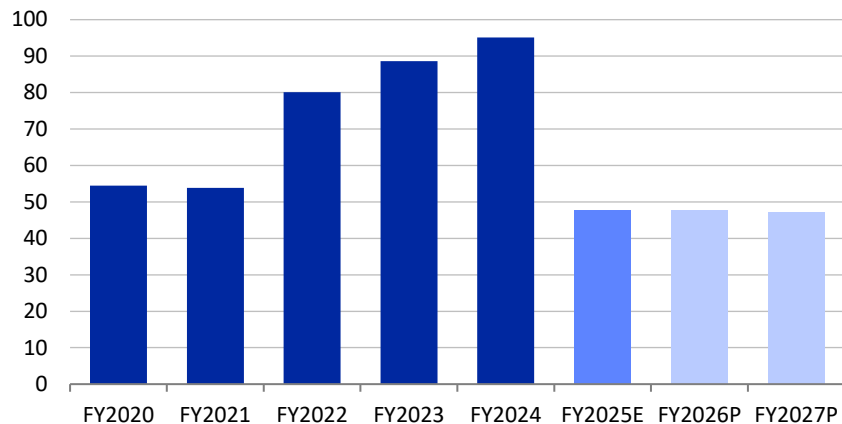


Source: ICRA Research

- With technology upgrade to 5G, and expected elevated capex intensity by few of the customers, the total tenancy levels are expected to increase steadily.
- The tenancy ratio, which was on a declining trajectory, is expected to largely stabilise, going forward, at 1.35-1.40x.

Working capital cycle eases; liquidity witnesses improvement

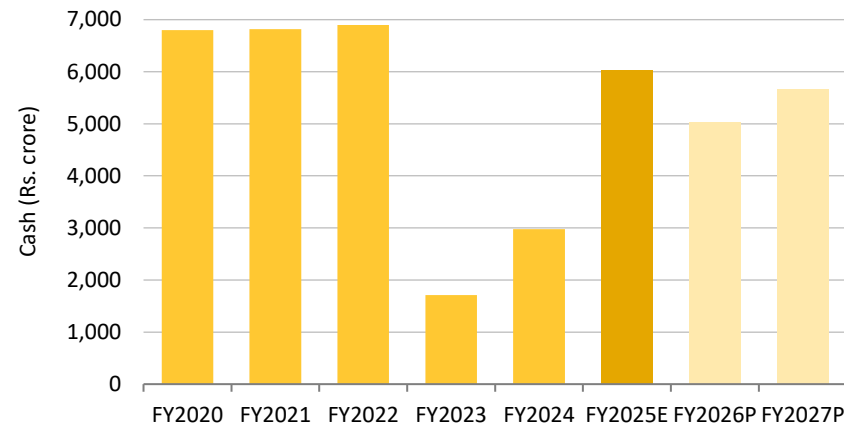
Exhibit: Movement in receivable days



Source: ICRA Research

- The elongation in receivables impacted the liquidity position of the tower industry with moderation in cash balances.
- ICRA projects industry capex at Rs. 10,000-11,000 crore per annum.

Exhibit: Movement in cash levels (Rs. crore)

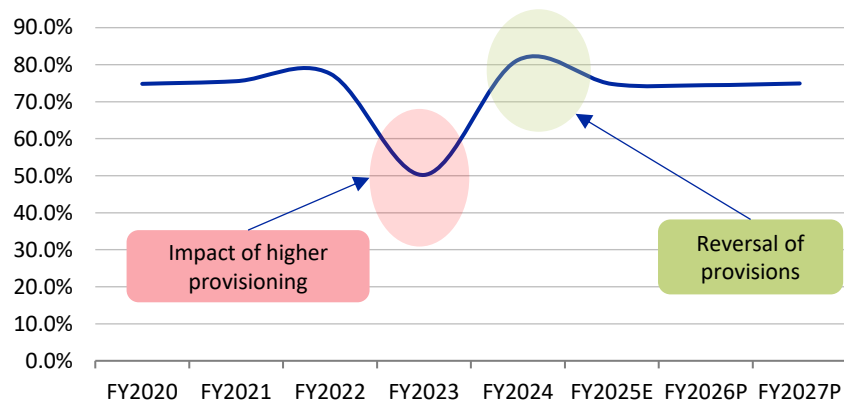


Source: ICRA Research

- There has been a marked improvement in the collections from key customers averaging at 95-100% of the monthly billing.
- FY2025 witnessed healthy recovery from customers for the overdue payments, which resulted in build up of liquidity for the industry.

Recovery after significant provisioning dented profitability in the past

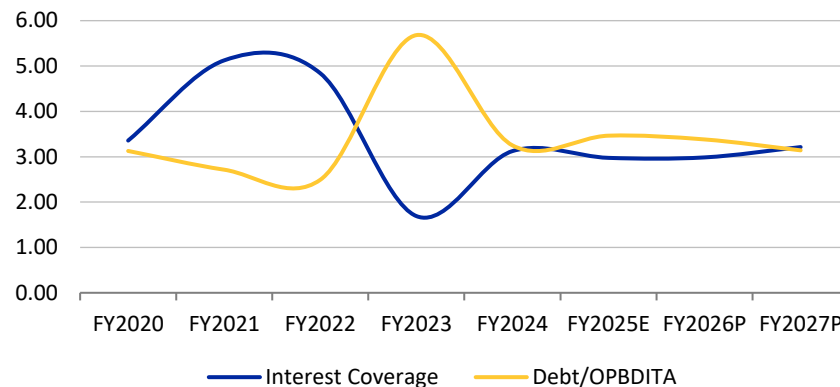
Exhibit: Movement of profitability



Source: ICRA Research, Annual reports of telecom tower companies

- During FY2023, the industry provided for around Rs. 8-9,000 crore towards receivables and impairment of some assets.
- With receipt of the overdue payments, the provisions have been written back primarily in FY2025. Further expectation of timely payments point towards a healthy profitability scenario.

Exhibit: Movement of debt metrics



Source: ICRA Research, Annual reports of telecom tower companies; Debt includes lease debt

- The higher provisioning impacted the profitability as well as the debt metrics for the industry, with FY2023 being the most impacted year.
- FY2025 remained healthy in terms of cash flow generation owing to receipt of overdue payments, the situation is likely to normalise, going forward.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President and Group Head	girishkumar@icraindia.com	022 – 6114 3441
Prashant Vasisht	Senior Vice-President and Co-Group Head	prashant.vasisht@icraindia.com	0124 – 4545 322
Ankit Jain	Sector Head and Vice-President	ankit.jain@icraindia.com	0124 – 4545 865
Saurabh Parikh	Senior Analyst	saurabh.parikh@icraindia.com	022 – 6169 3300





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Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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