

INDIAN TELECOM INDUSTRY

**Next round of tariff hikes expected
in FY2025; to provide a fillip to ARPU
levels**

June 2024





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The absence of tariff hikes resulted in a moderate growth of 8% in operating income for FY2024. With expectations of tariff hikes in FY2025, the operating income is estimated to grow by 12-14% to Rs. 3.2-3.3 lakh crore, with the industry OPBDITA expectation of Rs. 1.6-1.7 lakh crore for FY2025. The latest spectrum auctions fetched Rs.11,341 crore to the exchequer, primarily driven by the renewals of expiries. The industry debt level remains elevated and are likely to moderate as capex intensity subsides, going forward.



- **The operating metrics of the industry had been steadily improving**, led by increasing data usage and rise in 4G/5G subscribers. However, the rate of expansion slowed down in FY2024, owing to the absence of tariff hikes as well as 5G-specific tariff plans by the telcos. However, the growth is likely to pick up with the expected tariff hikes in this fiscal.



- **ICRA expects the industry to report a 12-14% growth in operating income for FY2025**, largely backed by tariff hikes. Industry consolidated revenues are expected to be ₹Rs. 3.2-3.3 lakh crore with an OPBDITA of Rs. 1.6-1.7 lakh crore for FY2025.



- **Large part of 5G capex upfronted in FY2024**. The absence of retail-based use cases, expensive customer equipment and low fiberisation levels pose a threat to 5G expansion. The industry has upfronted a significant capex for 5G in FY2024. This capex intensity is likely to have peaked and is expected to subsequently moderate from FY2025 onwards.



- **Latest spectrum auctions witnessed muted participation**, which was in line with ICRA's expectations, and was primarily driven by renewals of the expiring spectrum, along with filling of some gaps to strengthen the network. The telcos bought spectrum worth Rs. 11,341 crore. This muted participation is not likely to materially impact the balance sheet of the industry.



- **Industry would be entailing a capex of around Rs. 3 lakh crore over the next 4-5 years for 5G deployment**. As per ICRA, the industry's total debt remained elevated at Rs. 6.4 lakh crore as on March 31, 2024. The total debt is likely to witness marginal moderation going forward. The industry's debt/OPBDITA is likely to improve to 3.7-3.9x and interest coverage to 3.1-3.3x for FY2025, with expectations of further enhancement going forward.

1 Industry Outlook – Stable – Telecom Services



2 Industry Dashboard



3 Recovery in Telecom Sector Continues



4 5G – The Road Ahead



5 Debt Remains Elevated



6 Tower Industry Outlook - Negative



7 Telecom Services Industry Consolidated Financials



8 Peer Comparison



9 ICRA Ratings for Telecom Sector





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