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**JUNE 2021**

# INDIAN TELECOM INDUSTRY

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**Outlook on telecom tower industry revised to stable; steady improvement continues in the performance of telcos**



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**Telecom tower industry has evolved from towers being captive units to an independent and financially strong industry. More than 54% of the towers are held by independent tower companies. Indus Towers leads the tower market with a market share of 32% and tenancy market share of 42% as on March 31, 2021.**



- With consolidation in the telecom services industry, the tower industry faced tenancy exodus over the FY2018-FY2020 period. Thereafter, tenancy levels witnessed steady addition in FY2021 and the trend is likely to continue. BAL and RJIL have been adding tenancies, while tenancy exits from VIL have stabilised. Tenancy ratios are likely to remain around 1.3-1.5 times for the industry



- The receivable position of the industry has stabilised with increase in collection efficiency from BSNL, post the partial implementation of revival package, and with a steady payment cycle for VIL. With this, the incremental working capital blockage is expected to witness a decline. Despite the build-up of receivables in the past, the liquidity position and debt coverage metrics of the tower companies remain strong.



- The tower infrastructure revenues apart, the tower industry is exploring non-conventional sources of revenues including monetising existing tower assets, emerging business streams like IoT, data centers, smart cities, etc.



- For telecom services, the industry AGR continues to witness healthy expansion and grew by 26% in Q3 FY2021, driven by growth in ARPU levels primarily led by consistent addition in 4G subscriber base and surge in usage of mobile services. The trajectory is expected to continue going forward. ICRA expects revenues to grow by around 13% each year in FY2022 and FY2023, after a growth of around 11% in FY2021.



- With the participation in auctions and addition of liabilities pertaining to AGR payout to debt, the industry debt is estimated to rise to Rs. 5.2 lakh crore for FY2021. Thereafter, debt is expected to moderate to Rs. 5.0 lakh crore by March 31, 2022. While some improvement is expected in debt metrics, these are expected to continue to remain weak as reflected by debt/OPBDITA of 5.1x and interest coverage of 2.2x for FY2022

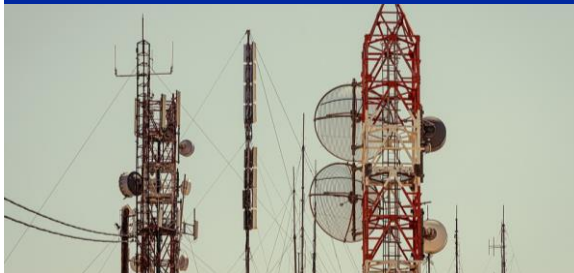


- With unyieldingly high industry debt levels, telcos will have to find avenues (additional equity or monetisation of assets, in addition to consistent improvement in cash-flow generation) to consistently upgrade their networks. Further, the industry is in a phase of transformation and non-telecom revenues are expected to fuel the next phase of growth

## 1 Industry outlook



## 2 Evolution of the tower industry



## 3 Key metrics of the tower industry



## 4 Recovery in telecom sector continues



## 5 Opportunities ahead for tower industry



## 6 Consolidated industry financials/ Key operating metrics of players





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