



INDIAN TELECOM INDUSTRY

DECEMBER 2021

Sector outlook revised to Stable as telcos complement the relief package with a tariff hike; industry EBITDA to grow by around 30% in FY2023

Telcos complemented the relief package announced by the Govt by implementing tariff hikes recently. These hikes are estimated to result in improvement in operating profits by around 28-30% in FY2023 over FY2022 levels, which is likely to result in healthy improvement in the credit profile of the telecom service providers. With these tailwinds, ICRA has revised the sector outlook to Stable from Negative



- The operating metrics of the industry have been steadily improving led by increasing data usage and steady conversion of subscribers to 4G from 2G, leading to improvement in ARPU levels which translated in consistently healthy growth in industry AGR.



- Debt continues to remain the industry's Achilles' Heel. With the addition in spectrum deferred liabilities for March 2021 auctions, debt levels are likely to remain elevated to ~Rs. Rs. 4.7 lakh crore as of March 2022, before moderating to ~Rs.4.3 lakh crore by March 2024.



- While there remain avenues of debt reduction, including sale of assets, Bharti Airtel has done a rights issue of Rs. 21,000 crore of which it has collected 25% of the amount upfront, while Vodafone Idea is also planning a fund infusion.



- The relief package eased balance sheet side pressures, by way of moratorium on the deferred spectrum and AGR payments, and telcos complemented this by implementing tariff hikes in the pre-paid segment, which will result in improvement in revenue and profit generation.



- The four-year moratorium on these dues provide an annual cash flow relief of ~Rs. 40,000 crore for the industry over FY2023 till FY2025 period and provides sufficient time to undertake fundamental repairs



- The latest round of tariff hikes, wherein the telcos increased the tariffs by 20% across prepaid plans is likely to result in a growth of around 20% in revenues in FY2023 and given high operating leverage, the EBITDA is likely to grow by around 28-30% for the industry



- The debt coverage indicators are also expected to witness an improvement as reflected by debt/EBITDA of 3.5x for FY2022, which will further improve to 2.8x for FY2023, while interest coverage is likely to improve to 3.4x for FY2022 and further to 4.2x for FY2023.

1 Industry Outlook



2 Recovery in Telecom Sector Continues



3 Tariff Hikes to Complement the Relief Package



4 Consolidated Industry Financials



5 Peer Comparison



6 ICRA Ratings in Telecom Sector





ICRA

Analytical Contact Details



Sabyasachi Majumdar

Senior Vice-President

Group Head

Prashant Vasisht

Vice-President

Co-Group Head

Ankit Jain

Assistant Vice-President

Sector Head



sabyasachi@icraindia.com

prashant.vasisht@icraindia.com

ankit.jain@icraindia.com



0124- 4545 304

0124 – 4545 322

0124 – 4545 865





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





© Copyright, 2021 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!