

# INDIAN TELECOM INDUSTRY

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**5G signals ringing in; industry  
continues to report improvement in  
operating metrics, amid elevated  
debt levels**

**DECEMBER 2022**



## 1 Industry Outlook - Stable



## 2 Recovery in Telecom Sector Continues



## 3 5G – Road Ahead



## 4 Debt Continues to Remain Elevated



## 5 Telecom Services Industry Consolidated Financials



## 6 Peer Comparison



## 7

### ICRA Ratings in Telecom Sector



*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 may increase industry debt to around Rs. 6.3 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 has been steadily improving, led by increasing data usage and steady conversion of subscribers to 4G from 2G. This, coupled with the latest tariff hikes, has led to improved ARPU levels, which translated into a steady growth in industry AGR.
- The industry is expected to report a growth of 13-15% in its operating income, which will translate into OPBDITA expansion by 18-20%. 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.
- 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 rollout by the telcos. Thus, ICRA expects a capex of around Rs. 3 lakh crore for the industry over the next 4-5 years.
- While the operating metrics of the industry is on an improvement trajectory, some of the weaker telcos are delaying their payments to the tower companies, thereby resulting in elongation in the receivables, thus weighing on the liquidity of the industry.
- As per ICRA, the total debt of the industry is expected to rise to around Rs. 6.3 lakh crore by March 31, 2023. While the external debt is likely to remain stagnated, the addition of deferred liabilities for 5G spectrum has ballooned the overall debt levels.
- The debt coverage indicators are expected to improve steadily 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 and interest coverage is likely to improve to more than 3.0x by FY2025.



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