

# INDIAN TELECOM INDUSTRY

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**Incumbents continue to expand 5G;  
fiberisation capex to remain high  
amid elevated debt levels**

**March 2023**



# Agenda

## 1 Industry Outlook - Stable



## 2 Industry Dashboard



## 3 Recovery in Telecom Sector Continues



## 4 5G – Road Ahead



## 5 Debt Continues to Remain Elevated



## 6 Telecom Services Industry Consolidated Financials



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Peer Comparison



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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 and further to Rs. 1.5 lakh crore in FY2024. However, the total debt continues to remain elevated and is likely to be around Rs. 6.3 lakh crore as on March 31, 2023, thereby moderating the industry debt/OPBDITA to 4.5x for FY2023. 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 10-12% in its operating income**, translating into OPBDITA expansion of 14-16% for FY2024. Industry consolidated revenues are expected to be around Rs. 2.9-3.0 lakh crore with OPBDITA of around Rs. 1.5-1.6 lakh crore for FY2023.



- **While the operating metrics of the industry is on an improvement trajectory, some of the weaker telcos are delaying payments to the tower companies**, thereby resulting in elongation of the receivables, thus weighing on the liquidity of the industry.



- **The 5G rollout is going on in a phased manner starting with some select pockets.** The low fiberisation level of around 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.



- **Globally, the rate of 5G adoption has been slow, except for China**, where the total 5G subscribers are around 65% of the total subscriber base and China's 5G subscribers constitute around 67% of the global 5G subscriber base.



- **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 increased 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 3.4x by FY2025.



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