

INDIAN TELECOM INDUSTRY

**New telecom bill allows allocation of
spectrum for satellite
communications; industry ARPU
growth to remain range-bound**

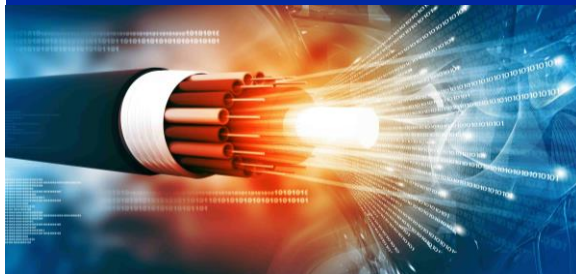
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1 Industry Outlook – Stable



2 Industry Dashboard



3 Recovery in Telecom Sector Continues



4 5G – The Road Ahead



5 Debt Continues to Remain Elevated



6 ESG in Telecom



7 Telecom Services Industry Consolidated Financials



8 Peer Comparison



9 ICRA Ratings in Telecom Sector



The Govt introduced a new telecom bill, paving the way for spectrum allocation for satellite communication, streamlining right of ways issues, along with easing of some compliances. ICRA expects Average Revenue per User (ARPU) growth to witness some moderation in the absence of further tariff hikes in the near term, translating into a growth of 7-9% in the operating income in FY2024 with the industry OPBDITA expectation of around Rs. 1.4-1.5 lakh crore, even as debt levels continue to remain elevated as industry expands the 5G network.



- **New Telecom Bill 2023** – This allows the Government to take control of telecom networks in case of public emergency as well as to terminate spectrum assignment if the same has remained unutilised. Moreover, it paves the way for allocation of spectrum for satellite communication and enables streamlining of right of way (RoW) issues along with introduction of user protection measures and easing of some compliances.



- **The operating metrics of the industry had been steadily improving**, led by increasing data usage and upgradation of subscribers to 4G from 2G. However, going forward, the rate of expansion is likely to witness a slowdown in the absence of next round of tariff hikes as well as 5G-specific tariff plans by the telcos.



- **ICRA expects the industry to report a growth of 7-9% in its operating income in FY2024**, translating into an OPBDITA expansion of 9-11%. Industry consolidated revenues are expected to be around Rs. 2.9-3.0 lakh crore with an OPBDITA of around Rs. 1.4-1.5 lakh crore for FY2024.



- **The 5G rollout is going on in a phased manner**. Absence of retail-based use-cases, expensive customer equipment and low fiberisation levels pose a threat to 5G expansion. The industry has upfronted a lot of 5G capex while capex intensity is expected to peak and is likely to moderate from FY2025.



- **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 total debt of the industry has shot up to around Rs. 6.4 lakh crore by March 31, 2023. The total debt is likely to witness marginal moderation, going forward (in the absence of a spectrum auction). Industry debt/OPBDITA, after crossing 4.6x for FY2023, is likely to improve to less than 4x and interest coverage likely to improve to more than 3x by FY2025.



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