

# INDIAN TELECOM INDUSTRY

Upcoming spectrum auction to witness muted participation; debt levels to continue to remain elevated

**March 2024** 



#### **Agenda**















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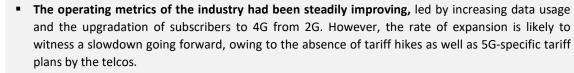
#### **Highlights**





ICRA expects the absence of tariff hikes in the near term will lead to a 7-9% growth in operating income for FY2024, with the industry OPBDITA expectation of ~Rs. 1.4-1.5 lakh crore. For FY2025, the revenue growth is likely to be ~8-10%, led by ARPU growth of 7-9%, with OPBDITA expansion at ~10-12%. Upcoming spectrum auctions are expected to fetch Rs.7,000-10,000 crore to the exchequer, primarily driven by the renewals of expiries. The industry debt levels continue to remain elevated as the industry expands the 5G network.







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



• The ongoing 5G rollout is done in a phased manner. The absence of retail-based use cases, expensive customer equipment and low fiberisation levels pose a threat to 5G expansion. The industry has incurred a significant upfront capex for 5G. This capex intensity is expected to peak and subsequently moderate from FY2025.



• Muted participation expected in upcoming spectrum auctions. ICRA expects upcoming spectrum auctions to witness muted participation, primarily limited to renewals of the expiring spectrum. The total value of participation is expected to be around Rs. 7,000-10,000 crore.



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 industry's total debt has shot up to ~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). The industry's debt/OPBDITA is likely to improve to less than 4x in FY2025 from more than 4.6x in FY2023, and interest coverage is likely to improve to more than 3x by FY2025.



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