

INDIAN TELECOM INDUSTRY

**Tariff hikes provide a fillip to ARPU
levels; debt remains elevated**

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The absence of tariff hikes resulted in a moderate growth of 8% in operating income for FY2024. With implementation of tariff hikes in FY2025, the operating income is estimated to grow by 12-14% to Rs. 3.2-3.3 lakh crore, with industry OPBDITA likely at Rs. 1.6-1.7 lakh crore for FY2025. While the 5G capex has been upfronted and the capex intensity has largely peaked, the industry debt level remains elevated and is likely to moderate as capex intensity subsides, going forward.



- **Latest tariff hikes to translate to healthy growth in operating metrics of the industry.** Average revenue per user (ARPU) growth slowed down in FY2024, owing to the absence of tariff hikes and 5G-specific tariff plans by the telcos. However, ARPU growth has witnessed a traction with the latest round of tariff hikes, leading to an expected ARPU of more than Rs. 200 for FY2025.



- **ICRA expects the industry to report a 12-14% growth in operating income for FY2025**, largely backed by tariff hikes. Industry revenues are expected to be Rs. 3.2-3.3 lakh crore with an OPBDITA of Rs. 1.6-1.7 lakh crore for FY2025. Once this hike is fully absorbed, ICRA expects OPBDITA accretion of Rs. 20,000 crore for the industry.



- **Large part of 5G capex upfronted.** The absence of retail-based use cases, expensive customer equipment and low fiberisation levels pose a threat to 5G expansion. The industry has upfronted a significant capex for 5G in FY2024 and FY2025. This capex intensity is likely to have peaked and is expected to subsequently moderate from FY2025 onwards.



- **Industry capex expected to be around Rs. 3 lakh crore over the next 4-5 years, thus keeping the total debt elevated.** The total debt is likely to increase to Rs. 6.6 lakh crore as on March 31, 2025 from Rs. 6.5 lakh crore as on March 31, 2024, before witnessing a moderation. The industry's debt/OPBDITA is likely to improve to 3.9-4.0x and interest coverage to 3.1-3.3x for FY2025, with expectations of further enhancement, going forward.



- **Competition from satellite communications.** ICRA expects satellite communication to complement the terrestrial network in the medium term and aid in expanding communication networks to remote areas and difficult terrains. Moreover, currently for customers, satellite communication remains an expensive proposition vis-à-vis existing networks.

1 Industry Outlook – Stable – Telecom Services



2 Industry Dashboard



3 Recovery in Telecom Sector Continues



4 Tariff Hikes Pave Way for ARPU Growth



5 5G – The Road Ahead



6 Debt Remains Elevated



7 Tower Industry – ICRA Outlook – Negative



8 Telecom Services Industry: Consolidated Financials



9 Peer Comparison and ICRA Ratings for Telecom Sector





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