

INDIAN TELECOM INDUSTRY

Revenue growth to remain steady
till the next tariff hikes; debt
continues to be elevated

MAY 2025



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With implementation of tariff hikes in FY2025, the operating income is projected to grow by 10-12% to Rs. 3.5-3.7 lakh crore, with industry OPBIDTA likely to be at Rs. 1.7-1.9 lakh crore for FY2026. 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. Another tariff hike is expected in the current fiscal, which will provide the next phase of growth.



- **Latest tariff hikes translated to healthy growth in operating metrics of the industry.** Average revenue per user (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. It is expected to grow to around Rs. 220 in the current fiscal with further growth, post another tariff hike, expected towards the end of the fiscal.



- **ICRA expects the industry to report a 10-12% growth in operating income for FY2026.** Industry revenues are expected to be Rs. 3.5-3.7 lakh crore with an OPBIDTA of Rs. 1.7-1.9 lakh crore for FY2026. Thereafter, the growth will be driven by the next round of tariff hikes. For FY2025, it is estimated that the revenues have witnessed a growth of around 12-14%.



- **A 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 going forward.



- **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 estimated to increase to around Rs. 6.6 lakh crore as on March 31, 2025, before witnessing a steady moderation. The industry's debt/OPBIDTA is likely to remain at 3.9-4.0x and interest coverage at 3.3x for FY2025, with hopes of further improvement, 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.



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