



INDIAN TELECOM TOWER INDUSTRY

**Industry grappling with receivables
issues; outlook revised to Negative
from Stable**

MAY 2023



Business outlook on telecom towers revised to Negative from Stable amid elongation in receivables cycle.

Sizeable provisioning done by tower companies, expected to be in the range of Rs. 10,000 crore for FY2023, which is expected to be around Rs. 3,000 – 4,000 crore per annum going forward.

This is likely to dent the profitability of the tower companies and result in elevated working capital requirements thereby suppressing the return metrics.

ICRA has revised the business outlook on telecom towers to Negative from Stable amid elongation in receivables cycle, driven by material delays in payments by a few telecom service providers, thereby resulting in sizeable provisioning done by tower companies, expected to be in the range of Rs. 10,000 crore for FY2023. This is likely to dent the profitability of the tower companies and result in elevated working capital requirements thereby suppressing the return metrics. ICRA expects provisioning of Rs. 3,000 – 4,000 crore per annum to continue, till the time the liquidity position of the key customers improve materially.



- Prolonged weakness in the liquidity position of a few telcos is exerting pressure on the tower industry as telcos are the main customers for tower companies, leading to material delays in payments made by telcos to tower companies.



- The tower companies also made sizeable provisions towards doubtful debts as well as asset impairments towards the assets of the few weaker telcos. ICRA estimates provisions of Rs. 10,000 crore in FY2023, and projects this amount to be Rs. 3,000-4,000 crore annually, going forward



- These provisions are likely to dent the profit generation of the tower industry, which, along with lower cash flow generation amid elevated working capital requirements, is likely to weigh down on the return metrics of the industry.



- Given the transition to 5G, the tower industry is likely to witness demand for tenancies, however, the capex intensity will remain high to the tune of Rs. 6,000-7,000 crore annually for the industry.



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