

INDIAN TELECOM INDUSTRY

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

March 2024



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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.



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



- **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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