

# Telecom industry to witness healthy revenue growth in FY23

March 05, 2022, 16:14 IST

*The sector has been saddled with debt due to complications such as the 'Adjusted Gross Revenue' (AGR) case verdict, which brought in a huge immediate liability on the books of telecom operators.*

---

New Delhi: Tariff hikes as well as continued increase in data usage is expected to accelerate telecom industry's revenue growth in FY23.

The sector has been saddled with debt due to complications such as the 'Adjusted Gross Revenue' (AGR) case verdict, which brought in a huge immediate liability on the books of telecom operators.

**"While the pandemic had a bad influence on the other sectors, surprisingly, it turned out to be a boon for the telecom sector as corporates were dependent on telecom operators for the smooth running of their operations," Brickwork Ratings (BWR) said in a report.**

"This eventually helped in steady growth in the sectors' key metrics such as the 'ARPU' and 'MOU'."

According to the report, the difficult situation for the sector may ease in future as tariff hikes and a continued increase in data usage to result in increased revenue by 6-8 per cent in FY22.

Besides, the subscriber shift towards the 4G network is imminent due to higher need on account of work and education being done from home, which will in turn, lead to an increase in the companies' total revenues.

Notably, the wireless data usage on average increased by 37 per cent YoY in Q2FY22.

Furthermore, the report cited that the recent hike in tariff plans by 20-22 per cent would help improve the sector's viability.

"The telecom sector in India is dominated by three major players and is highly competitive in nature, thus making price hikes an uncommon event. However, the recent tariff hikes would help increase the APRU of the telecom operator, deal with the financial crisis and enable investment for the 5G network."

"However, the flipside is that price hikes may hinder the movement of subscribers to 4G from 2G."

At present, around 44 per cent of the telecom subscribers are from rural areas, and hence, price hikes could discourage the increased usage of the telecom services.

Moreover, it pointed out that due to the pandemic, educational institutions and NGOs largely depend on telecom operators for reach, which may not be as much after the lockdown is lifted, which is imminent with increased vaccine coverage.

In addition, the agency expects the EBITDA margins of the telcos to improve in FY22 on account of tariff hikes and increased data usage.

"The tariff hikes of 20-22 per cent in November 2021 would lead to an increase in FY22 revenues, the full effect of which would be seen in FY23."

"The costs for telecom operators are also expected to reduce, given the revision in the definition of the AGR and other reliefs announced by the government."

Recently, the Department of Telecommunications has already released bank guarantees of Rs 9,200 crore deposited earlier by the telecom operators, thereby improving the liquidity available to them and reducing finance costs.

"This, coupled with the increase in revenue, would help boost the sector's overall profitability."