

# Telcos' revenue to decline for 3rd consecutive year: Report

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The Reliance Jio-induced pains for the telecom sector will continue with the industry slated to report decline in revenue for the third consecutive year, a report said on Monday.

However, there is room for a "minor recovery" in the upcoming fiscal year 2019-20, according to the report by domestic rating agency Icri Ratings.

The intense competition after the launch of Jio has continued and the pricing pressure manifested in "severe deterioration in the financial performance, marked by decline in revenues, lower profitability (even losses for some telcos) and low cash generation", it said.

After the 11 percent decline in revenues in FY18 to ₹2.1 lakh crore, the industry topline is expected to further decline by 7 percent in FY19, the agency said, adding it expects a 6 percent growth in FY20. From a profit-



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ability perspective, it said the operating profit decline is expected to narrow to 18 percent in FY19 from the 21 percent decline in the previous fiscal, the agency said, adding the same is expected to go up by 20 percent in FY20.

"FY20 can witness the benefits of higher data usage, and a relatively more consolidated and stable industry structure

resulting in some pricing discipline," its sector head and vice president Harsh Jagnani said.

He, however, was quick to add that the improvement in performance comes on a low base and despite the increase, it will still be lower than the peak in FY16.

In FY20, operators will be bolstered by the planned deleveraging initiatives to the

tune of ₹90,000-1 lakh crore, it said. The overall debt for the sector will come down to ₹4.3 lakh crore in end-FY20 from the ₹4.75 lakh crore expected in March 2019, it said.

Based on the December quarter trends, it said the decline in ARPU (average revenue per user) has been arrested and the incumbent operators are looking for triggers of upward movement, with some operators implementing minimum recharge plans.

The Government also stands to lose out in the process as non-tax revenues earned by it in terms of license fee and spectrum usage charges will go down, the agency said.

These two revenue lines declined by 24 percent in FY18 and are expected to decline further in FY19, Icri said, estimating the non-tax revenues from the sector to be in the range of ₹35,000-40,000 crore per year in FY19 and FY20.