

## After 3 Years of Decline, Telcos' Revenue to Rise in FY20: Icra

Our Bureau

**Kolkata:** The beleaguered telecom industry is likely to recover its stride by way of a modest pricing increase in financial year 2019-20, which in turn is slated to trigger some growth in sectoral revenue after three successive years of decline, rating agency Icra said.

"We expect minor improvements with (industry) revenues estimated to grow by 6% on-year and operating income or Ebitda by 20% on-year in FY20, driven by benefits of higher data usage, and a relatively more consolidated and stabler industry structure, resulting in some pricing discipline," Harsh Jagnani, vice-president (corporate ratings), Icra, said in a statement on Monday.

Trends of the last few months, he said, signal some recovery is in the offing with telco ARPUs (average revenue per user) showing "signs of stabilisation", and incumbent operators — Bharti Airtel and Vodafone Idea — looking for triggers of upward movement by recently implementing minimum recharge plans.

Jagnani, however, said the envisaged sectoral revenue recovery in FY20 would still be significantly lower than the peak of FY16 level.

According to him, telecom industry revenues, which declined by 11% in FY18 to ₹2.1-lakh-crore, are estimated to further decline by 7% in FY19. Telecom industry Ebitda too, he said, is estimated to reduce by 18% on-year in FY19, following a 21% erosion in FY18 (₹49,000 crore).

The rating agency, however, said telcos would be bolstered by the planned deleveraging initiatives to the tune of ₹0.9-1 lakh crore. The anticipated deleveraging, if it



**HARSH JAGNANI**

Vice-President (Corporate Ratings), Icra



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materialises, can improve the interest coverage to 1.4x and debt/Ebitda to 8x as on March 31, 2020, it added.

However, Icra estimates the debt metrics of the telecom industry to remain weak

with interest coverage of 1.1x and debt/Ebitda of more than 11x as on March 31, 2019.

The rating agency estimates that in FY19 and FY20, the government's non-tax revenues will be in the range of ₹35,000-40,000 cr per year

crore per year. Further, it expects the return of auctioned spectrum by exiting telcos to result in an annual ₹1,100-crore reduction in deferred spectrum payouts to the government.