

## Icra Keeps Negative Outlook, Says SC Blow Tough for Operators

### Our Bureau

**New Delhi:** Ratings firm Icra has maintained a 'negative' outlook for the Indian telecom industry, saying recovery measures by beleaguered telcos will not be able to sustain the blow dealt by the Supreme Court order on adjusted gross revenue (AGR).

The October 24 order — in which the top court widened the definition of AGR to include non-core items — has added to the woes of already-distressed telcos, Icra said in a report on Thursday. The order left 15 telcos facing ₹1.47 lakh crore in additional statutory dues, with Bharti Airtel and Vodafone Idea the worst hit, facing combined dues of over ₹89,000 crore.

According to Icra, the substantial amount of payments as AGR dues will create additional pressure on balance sheets of the telecom operators.

"This comes at a time when the industry's health was on the recovery track, on the back of deleveraging initiatives, moderation in capex intensity and restoration of pricing power," it said.

Although clarity is awaited on the final outcome of review petitions filed by operators in the Supreme Court, Icra believes that in case AGR dues have to be funded through debt, it has the potential to derail the deleveraging attempts by the industry.

Due to intense competition and

pricing pressure in recent years, the average revenue per user (ARPU) of the industry fell from ₹169 in the first quarter of fiscal 2017 to ₹124 in the first quarter of FY20. AGR in the same period fell from ₹44,570 crore to ₹28,650 crore, as per Icra.

"The overall high operating leverage of the industry meant that the decline in revenues percolated to pressure on profitability and cashflows," it said in the report.

## ₹5 Lakh Cr

ESTIMATED DEBT OF INDUSTRY  
AS ON MARCH 31, 2019

As per Icra estimates, the industry debt on March 31, 2019 stood at ₹5 lakh crore, which is expected to come down to ₹4.4 lakh crore by March 31, 2020 on account of steps like monetisation of assets, rights issues, equity infusions or stake sales.

Icra also expects the tariff hike to the tune of 35-40% by telcos to manifest into improvement in ARPU levels and cash flow generation. "However, despite the debt reduction, the key coverage indicators are expected to remain weak with estimated debt/Ebitda likely to be more than 7x and interest coverage less than 2x as on March 31, 2020. The impact of tariff hikes will be visible in FY21, when the Ebitda is expected to improve by 21% over FY20 levels.