

Industry perspective on Telcom Service & Infrastructure

Facts and Market Size - Telecommunications

- Currently, Second largest telecommunication market in the world after China
- Third highest internet users in the world
- Between FY 2007 and 2016, Telecom subscriber base expanded at the CAGR ~ 20 %
- Current teledensity ~ 85 % - Subscriber base over 1050 Mn
- Over 150 Mn smart phone users
- By 2020 , 2 out of 3 mobile users will be smart phone users
- Lowest tariffs in the world
- Every 10 % increase in mobile penetration leads to ~ 1.2 % of GDP
- Contribution of telecom sector in GDP – FY 2016 ~ 2 %
- Provides direct and indirect employment to over 1 Mn people

Facts and Market Size – Passive Infrastructure

- What Airports are to Airlines, Passive Infrastructure Towers and OFC is to telecom
- Second largest passive infrastructure market
- As of March 2016, ~ 4,75,000 towers (incl Jio) having ~ 8,20,000 tenancies – Tenancy Ratio - ~ 1.73
- Revenue Market of Tower Industry ~ Rs. 46,000 Crores
- Gross Block of Tower Industry ~ Rs. 40,000 Crs
- About 12 players in India – The larger players are Indus, Bharti Infratel, Viom, GTL, ATC, Towervision etc.
- Indus Towers Limited – A joint venture of Bharti, Vodafone and Idea group is the largest tower company in the world ~ 1,18,000 towers

Revenue Market Share and Investments

- Sector annual revenues over ~ US \$ 38 Bn (Rs. 260,000 Crores +)
- Sector annual EBITDA over ~ US \$ 8.7 Bn (Rs. 60,000 Crores +)
- Investment in gross block as on March 2015 ~ US \$ 105 Bn (Rs.725,000 Crores +)
- As per DIPP , between FY 2000 and FY 2016 , telecom sector in India has attracted FDI worth ~ US \$ 18.38 Bn (Rs. 125,000 Crores)
- Average capital employed ~ FY 16 US \$ 49.50 Bn (Rs. 340,000 Crores +)
- Industry level Debt Equity Ratio as on March 2015 – 1 : 1.4
- Interest , depreciation amortization ~ Rs. 68,000 Crores

An Important Infrastructure Sector ! What ails telecom

In an EY study conducted on the risks facing telecom sector, the key highlights were :

- At a strategic level
 - Failure to understand what customers value (From customer management to customer experience management i.e. creation of a more personalized experience, responding to the needs of the Gen Z – Youth and digital)
 - Failure to adopt new routes to innovation (Inorganic growth, blurring between telecom and media)
- At a Financial level
 - Inability to extract value from network assets including spectrum (i.e. Increased performance and reach of fiber, maximizing sharing and outsourcing and choosing the correct technology for IOT – Internet of things)
 - Poor visibility of inorganic growth

An Important Infrastructure Sector ! What ails telecom

- At a Compliance level
 - Lack of regulatory certainty on the new market structures – OTT players V/s Telecom operators , Net Neutrality, etc.
 - Ever changing privacy and security imperatives
- At an Operation level
 - Failure to price effectively
 - Failure to realize new roles in evolving Eco Systems - Leveraging the demand from OTT and content services

What ails Indian telecom

- All of the above
- Perception of a “Golden Goose”
- For every 1 Rs. from customer, 35 – 40 paise to Government exchequer
- Dumb pipe V/s Smart pipe
- Last mile challenges
- Lack of handshaking polices – EMF radiation issues ,etc
- Exorbitant spectrum costs
- Regulatory and tax challenges and litigations
- Lack of floor tariffs – The abused word called “ Level playing field“.
- Ease of doing business – The newfound word after the expiry of the first license period !!

Way Forward for this Sector

- Availability of cheaper smart phones
- Priority for right of way issues
- Logical pricing
- Shift from EBITDA focus to PBT focus
- Consolidation
- Medium to long term policy stability
- Technology Collaboration.

Impact of GST on Telecom