

SectorVector

Reading the topical trends

May 2022

Actives on the screen, tariff hikes loom

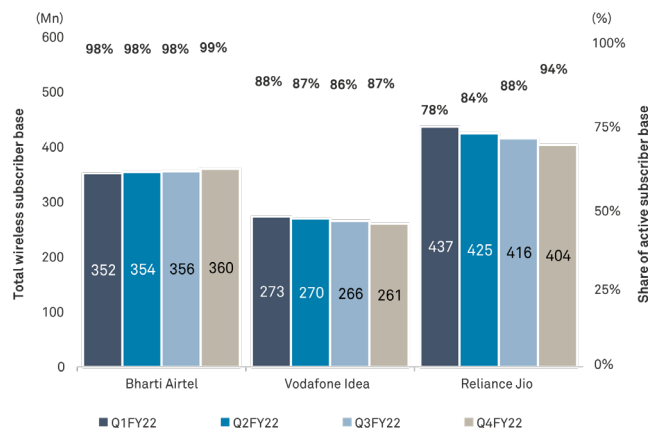
SIM consolidation later, telecom sector sees changes in subscriber shares

Overall subscribers fall, but active users rise

The three private sector telecom operators lost 37 million subscribers last fiscal as SIM consolidation weeded out inactive ones.

But their active subscriber base grew 3% on-year, or by ~29 million.

Subscriber base of top 3 players by quarter last fiscal



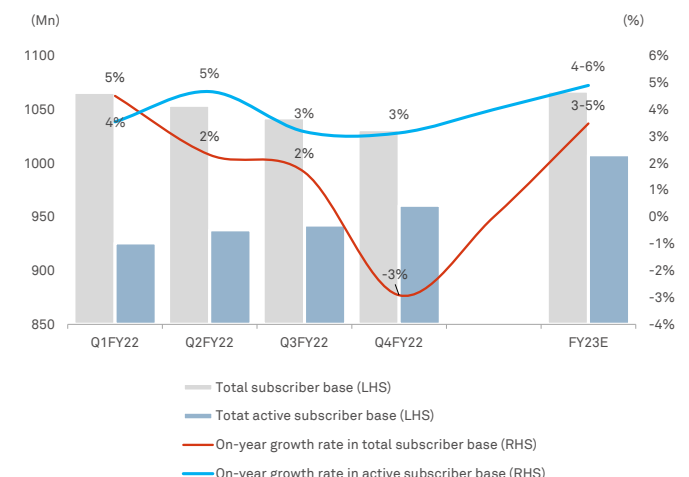
Note: Columns indicate total wireless subscriber base, while % in each bar indicates respective active subscriber share during the quarter
Source: Company reports, CRISIL Research

Reliance Jio saw its total subscriber base fall sharply between August 2021 and February 2022. However, the share of its active subscribers reached ~94% in March 2022, compared with 78% in the first quarter of last fiscal as the active subscriber base remained unaffected because of SIM consolidation.

Similarly, for Bharti Airtel, the share of active subscribers improved by a percentage point to ~99% in the fourth quarter. It added ~11 million active subscribers during fiscal 2022.

Vodafone Idea's performance was a mixed bag, as it did not replicate its peers' trends and lost ~30 million active subscribers in fiscal 2022. It continued to witness a decline in its subscriber base because of low capex in 4G and deterioration of services, while its peers have incrementally invested in 4G sites.

On-year growth in total and active subscriber base for top 3 players



Vodafone Idea loses active-user leadership to Jio, which gains in semi-urban markets

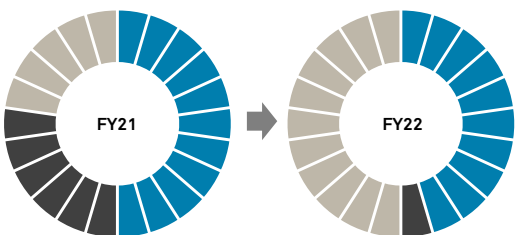
Vodafone Idea’s subscriber decline resulted in a loss of its leadership across circles. It lost active-subscriber leadership in five circles, while Jio gained six more.

Interestingly, the increase in active subscribers has been driven by an increase in rural subscribers across category A, B, and C circles. CRISIL Research expects rural tele-density to increase in fiscal 2023, aiding a 3-5% increase in total wireless subscribers, while the active-subscriber base is expected to grow faster at 4-6%. This will drive aggressive competition in the rural markets where tele-density is low at 58% as of last fiscal.

Jio faces competition from Bharti in total subscriber circle leadership



Jio snatches away active subscriber circle leadership from Vodafone Idea



Bharti Airtel **Vodafone Idea** **Reliance Jio**

Note: Each wedge in the pie chart represents a circle. Colour codes represent leadership count of players across 22 circles
Source: TRAI, CRISIL Research

Revenue growth seen at 20-25% this fiscal

Growth in average revenue per user (ARPU) is essential for realising a healthy bottom line and sustaining profit growth. Lower ARPU limits players’ capacity to invest in network and spectrum, resulting in poor service offerings.

Over the years, players have witnessed muted ARPUs because of price wars, thus limiting their network capex, increasing debt and hurting profitability.

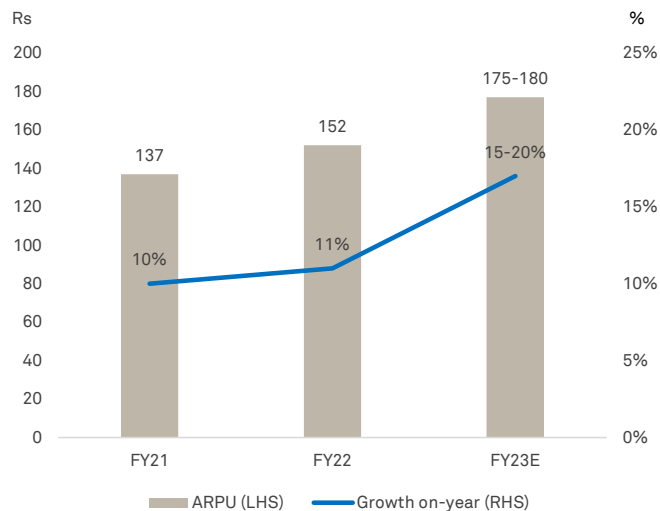
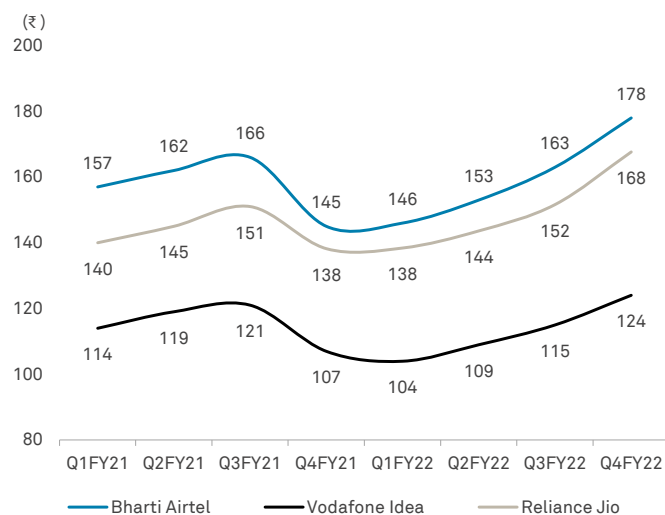
Fiscal 2021 was the first full year to include the December 2019 tariff hikes. During the year, ARPU rose 11% to ~Rs 149, fuelled by higher realisation amid tariff hikes and customer ‘uptrading’.

In fiscal 2022, ARPU growth slowed down to ~5%, driven by customer upgradations to 4G and the partial impact of tariff hikes taken in November 2021.

In fiscal 2023, ARPU should grow 15-20% due to the full-year impact of tariff hikes in fiscal 2022 and fiscal 2023 (anticipated in the second half). However, this will be partially offset by the ‘downtrading’ of recharges. Since players are expected to spend incrementally on network and regulatory capex in fiscal 2023, ARPU growth and tariff hikes could ease some pressure on their books.

As a result, revenue of the top three players is expected to grow a robust 20-25% this fiscal. Earnings before interest, tax, depreciation, and amortisation) is seen expanding 180-220 bps for the year.

ARPU to grow 1.2-1.3 times in fiscal 2023



Note: The sample includes mobile ARPUs of Bharti Airtel, Reliance Jio and Vodafone Idea
Source: Company reports, CRISIL Research

Analytical contacts

Aniket Dani
Director
CRISIL Limited
aniket.dani@crisil.com

Sehul Bhatt
Associate director
CRISIL Limited
sehul.bhatt@crisil.com

Shreenath Patki
Research Analyst
CRISIL Limited
shreenath.patki@crisil.com

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