

Telecom - Cellular & Fixed line services

Industry Code (as per CMIE Prowess): 0101040601000000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 14 Companies

Median Rating Value of sample size: AA-

Individual Parameters Contributing to the Score

Demand & Supply Balance  **16/20**

Moderate Demand

As per Department of Telecommunications data, the number of telephone connections were 1.2 billion as of November 2021 (of which wireless contributed more than 98%) with an overall tele density of 86.9% (Urban ~139% & Rural ~59%). The demand for data services increased during FY21 on account of the increased restrictions on travel, educational institutions and offices. The broadband subscribers increased to 801.6 million as on November 2021 from 742.1 million as on November 2020. The higher demand for value added & data driven services and digitization initiatives are expected to augur well for the overall sector.

Extent of Competition  **16/20**

Low competition/ Entry Barriers

The industry is largely oligopolistic in nature with the presence of 2-3 large players like Reliance Jio, Bharti Airtel & Vodafone Idea (Vi). High cost of spectrum and significant investment in network upgradation are significant entry barriers.

Regulatory Risk



8/20

Uncertain Regulatory environment

The sector is governed by TRAI (Telecom Regulatory Authority of India). While generally the policy framework has been supportive, certain aspects of their policy such as high spectrum pricing and Adjusted Gross Revenues (AGR) issues have affected the sectoral performance. The sector is preparing for the transition to 5G in the current year.

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

The availability of adequate spectrum at a reasonable cost for improvement in the telecom networks and roll out of 4G/5G in India will be important for the long term health of the telecom services sector. As regards availability of telecom network equipment, India's dependence on China has been high and the ability to diversify the sources of such imports will be critical.